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NEWS SUMMARY

GENERAL

Owen orders Soviet check

Dr. David Owen, Foreign Secretary, has told British embassies in the Soviet Union and Eastern Europe to monitor Soviet progress in implementing the Helsinki human rights agreement.

In a major review of Soviet activity and in the wake of the dissident trials, Dr. Owen said there had been "little progress" by the Soviets and their allies in implementing the agreement. He told Sir Harold Wilson in a Commons written reply that the results of embassy monitoring would be reported to the House on a six-monthly basis. Page 2

Egypt rejects Israeli plan

Direct talks between Israel and Egypt were resumed at Leeds Castle, Kent, presided over by Mr. Cyrus Vance, U.S. Secretary of State. The talks are aimed at providing a basis for full negotiations later but there appear to be irreconcilable differences.

The Egyptians said after the meeting that they had not found the Israeli attitude "positive or encouraging." The whole gist of Israel's 26-point plan was "unacceptable" to Egypt.

Olympic city may pull out

Mayor Tom Bradley of Los Angeles is recommending that the city withdraw its offer to stage the 1984 Olympic Games. The International Olympic Committee has refused to allow Los Angeles to turn over financial responsibility for the Games to a state committee.

Smith's demand

Mr. Ian Smith, Rhodesian Prime Minister, blamed black members of the Executive Council for lack of progress in securing a ceasefire. He said black members of the transitional government must "deliver the goods." Page 4

Bonn aids Zaire

West Germany is to provide Zaire and Zambia with military aid for the first time, in a move seen as part of the West's effort to help protect the independence of the two frontline states. Zaire will be provided with a border warning system. Page 3

£12m drama bill

The BBC is to spend £12m on drama over the next six months, including a seven-part adaption of John Le Carre's Tinker, Tailor, Soldier, Spy starring Alec Guinness. There will also be a double bill of plays by the Czech dissident Vaclav Havel. Page 18

Councils' plea

The Association of County Councils has warned that any attempt to reorganise local government would harm the education services. It has told Mrs. Shirley Williams, Education Secretary, that local government's overriding need is to be left alone.

But not a drop . . .

The area around Niagara Falls, Ontario, is suffering from an unlikely shortage—water. Restrictions have been imposed on residents because of a drought in the resort.

Briefly . . .

A teacher and two boys were killed when a minibus carrying a school party from Preston, Lancs., was in collision with a lorry near Auch, France.

Anataly Karpov and Viktor Korchnoi drew their opening world chess championship match in the Philippines.

Taxi drivers in Liverpool, seeking access to bus lanes, drove through the city in a protest convoy of 150 vehicles. Three drivers were arrested and 58 booked.

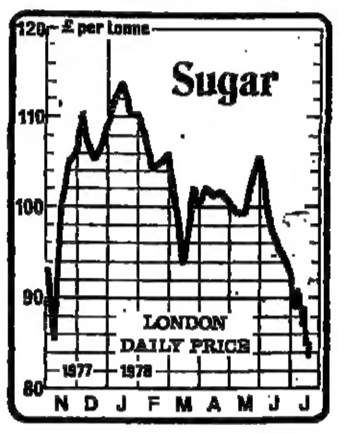
The Berlin Wall, whitewashed by the East Germans before President Carter's visit, is again covered with anti-communist slogans.

BUSINESS

Sugar at 5-year low Equities fall 6.9

● EQUITY markets reversed the firmness of the past eight days on fears that the Government was planning legislation to extend dividend restraint beyond the end of this month. Companies with above-average dividend covers were the most vulnerable and the FT Ordinary Index fell 6.9 to 472.4.

● LONDON Daily Price for raw sugar was set at its lowest for



five years when it fell £1.50 to £83.50 a tonne. Page 33

● GILTS marked time, with minimal falls in longs and shorts. The Government Securities index was unchanged at 70.50.

● STERLING rose 35 points to $1.8835, and its trade-weighted index eased to 62.0 (62.1). The dollar's depreciation was unchanged at 7.5 per cent.

● GOLD rose $½ to $184¾ in London.

● WALL STREET closed 10.05 down at 829.00.

● U.S. TREASURY Bill rates were: threes, 7.113 per cent (7.188) and sixes, 7.497 per cent (7.515).

● JAPAN'S Prime Minister has said his government would make it easier for foreign governments and companies to borrow on the Japanese capital market and would encourage increased overseas investment by Japanese industry. Back Page. Other Bonn summit reaction Page 2

● JAPAN'S trade surplus with the U.S. in the first six months of this year nearly doubled to $5.28bn. The surplus with the EEC remained steady at $2.1bn while with the UK it declined to $391m ($456m). Page 6

● *NEW YORK STATE legislators* are expected to pass a Bill which would make it more difficult for *foreign* banks to acquire State-based banks by requiring State approval for the acquisition of *10 per cent or more* stake of a New York State bank. Page 5

● UNIT TRUST sales were slightly down on the record sales of the two preceding months, but at £49.6m, were the third highest on record. Page 8

● EQUITY AND LAW Life Assurance hasc invested £5.5m in buying two farms in Lincolnshire, covering 3,543 acres of prime arable land, from UK Provident. Back Page

● REARDON SMITH LINE'S £30m outstanding loans are to be deferred under a moratorium agreed between the Government, National Westminster Bank and a Danish ship finance organisation. Back Page

● BRITISH AIRPORTS Authority made a pre-tax profit of £24.3m in the year to March 31, compared with £17.6m previously. Page 7

● TWA and United Airlines of the U.S. have both made spectacular increases in profits during the past three months which has been attributed to the availability of cheaper air fares in the U.S. Back Page

COMPANIES

● HOGG ROBINSON Group expanded taxable earnings for the year to March 31 by 21 per cent to £9.51m (£7.86m). Page 23

● H AND R. JOHNSON-RICHARDS TILES recorded a 45 per cent rise in pretax profits for the year to March 31 at £5.5m, which is in line with the figure forecast in May. Page 22

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
BTR	287	+ 6
Eastwood (J.B.)	160	+ 35
Sime Darby	109	+ 5
Syltone	137	+ 5
Western Bd. Mills	73	+ 3
Guthrie	357	+ 12
Afrikander Lease	265	+ 20
De Beers Dfd.	389	+ 6
Tanganyika	160	+ 5
Union Corp.	280	+ 7
FALLS:		
GEC	287	− 8
Glaxo	567	− 8
Gordon and Gotch	78	− 5
Hawker Siddeley	212	− 6
ICI	385	− 7
Land Secs.	215	− 4
Lloyds Bank	275	− 7
Marks and Spencer	134	− 4
Rank Org.	240	− 6
Status Discount	173	− 7
Staveley Inds.	290	− 6
Tube Invs.	366	− 10
Wettern Bros.	105	− 8
BP	852	− 14
Shell Transport	560	− 15
Warren Plants.	218	− 7
Westfield Minerals	142	− 8

TUC leaders fail to win concessions on Phase Four

BY CHRISTIAN TYLER, LABOUR EDITOR

The TUC's hopes of a last-minute concession on working hours to soften the blow of a tough Phase Four incomes policy expired last night in Downing Street.

No attempt was made by the TUC General Council at a meeting with Mr. James Callaghan, Mr. Denis Healey, Chancellor of the Exchequer, and other senior Cabinet members to press the point home at what was the last opportunity before publication of the White Paper, probably on Friday.

No pay figure was mentioned, though a general earnings increase target as low as 5 per cent is being considered.

It was made clear that the *Government was most unlikely* to budge on the basic framework, or fail to include a "norm" in the White Paper, even though tomorrow's Cabinet will want to phrase the White Paper in the most conciliatory terms possible.

Mr. Callaghan made it plain at last night's meeting that he was not prepared to lead a government that was in collision with the unions on pay.

The decision on whether to extend dividend control, which many Ministers see as an important prop to securing moderate pay settlements in the next round, will be taken at tomorrow's Cabinet. It is a decision fraught with Parliamentary and timetable difficulties.

The underlying message of the TUC in an almost ritual re-statement of its official determination *to return to voluntary collective* bargaining, was that there should be no guideline, but that if the White Paper was too fiercely couched that could have serious repercussions

Both sides agreed that a wage explosion should be avoided at all costs, and the difference between the two last night appears to have been mainly one of emphasis.

Mr. Len Murray, TUC general secretary, said afterwards that he had warned the Government not to let incomes policies become "habit-forming," and that Ministers should trust union negotiators in the next 12 months "not to go daft.'

Mr. Callaghan told the TUC there was no prospect of the general level of wage increases in the next 12 months being the same as this round's, when a 10 per cent "norm" had become 14 per cent in practice.

He also said that moderate pay settlements were the best bargain for the unions.

Mr. Healey reminded them of the UK undertaking at the Bonn Summit to keep up the fight against inflation.

He sketched a need for flexibility and further productivity bargaining, possibly on the shorter working week, but not at the expense of a rise in unit costs.

Today it is the CBI's turn to make last-minute submissions at meetings with the Prime Minister and later with Mr. Roy Hattersley, the Prices Secretary. The question of sanctions and contract clauses is likely to be thrashed out.

Richard Evans writes: It remains possible that publication of the White Paper will have to be delayed until early next week if a great deal of redrafting is *necessary after last night's meeting* with the TUC and today's with the CBI.

If Ministers decide to continue dividend control, a Bill will be necessary rather than a more simple Government Order or regulation.

The Government's only hope of securing a majority for the legislation is to get the backing of the 13 Liberals.

If legislation is not possible Ministers are expected to include references in the White Paper to continuing voluntary restraint, which could be backed up by the threat of using the price control and public purchasing weapons at the Government's disposal.

Union opposition unfair say Tories Page 10

France seeks UK order before new Airbus deal

BY DAVID CURRY PARIS, July 18.

FRANCE has stated categorically that British participation in the £450m development programme of the B-10 version of the European Airbus would depend on a British Airways order for the 200-seater aircraft.

This was made clear today by M. Joel le Theule, the French Transport Minister, at a Press conference, where he appeared with M. Bernard Lathiere, chairman of Airbus Industrie, and Gen. Jacques Mitterrand, chairman of Aerospatiale, the main French participant in the predominantly Franco-German Airbus consortium.

At the moment British Aerospace builds the wings of the basic B-2 and B-4 versions of the aircraft as a private contractor.

But the B-10 will have a new wing and the Minister said that an agreement in principle already existed to divide this work between French and German companies if British participation failed.

The French seem to have set the autumn as the deadline for a British decision. Whatever the decision, it would be "irreversible in a matter of weeks," said Gen. Mitterrand. The French and German Governments gave the go-ahead for the B-10 development last week.

M. Le Theule stated that the consortium would accommodate a British order for a Rolls-Royce-powered version of the B-10.

However, British Airways has never shown much interest either in the larger version of the Airbus, whose role is fulfilled by the Lockheed TriStar, or in the B-10, which the airline thinks is too large

Mr. Eric Varley, the Industry *Minister, is due in Paris later* this week to discuss the problem of aerospace co-operation.

Apart from the Airbus question the French also want to know where Britain stands on the decision whether to seek co-operation with the U.S. or with European partners on the development of a new short-haul airliner.

The competing projects are the Joint European Transport (JET) venture, Boeing's 757 and McDonnell Douglas's Advanced Technology Medium Range (ATMR) design.

Th French remain committed, at least publicly, to the JET project, for which the CFM-56 engine, jointly developed by General Electric of the U.S. and Snecma of France, is earmarked.

Mr. James Callaghan and Mr. Varley have been talking about bringing the McDonnell Douglas project and the JET scheme into a *single venture*, but to persuade the French to accept this would mean convincing them to accept the Rolls-Royce engine in preference to their Snecma design.

Imperial in £38m Eastwood bid

BY ANDREW TAYLOR

IMPERIAL GROUP, the tobacco, brewery and food company, launched a surprise £38.2m counter-bid yesterday for J. B. Eastwood, the eggs and poultry group—topping by almost £7m the offer three weeks ago by Cargill, the privately owned U.S. agricultural concern.

Imperial, which has substantial egg and poultry interests through its Ross Buxted Nitrovit subsidiary, is bidding 160p a share, 21 per cent above Cargill's 132p offer.

Cargill, one of the world's largest grain traders, said last night that it had not yet decided whether to make a new *offer*. The Eastwood directors meet today to discuss Imperial's bid.

The Eastwood family and directors, controlling a 34.7 per cent stake, have said that they would accept the Cargill offer but this of course was before the higher bid. Mr. William Eastwood, joint managing director, said last night that the Imps offer "had come out of the blue."

There was speculation last night that Imperial's bid might attract the attention of the Monopolies Commission. A merger would leave the group, on Imperial's own admission, with a 32 per cent share of the UK broiler chicken market.

Under monopoly rules a bid can be referred for investigation where a merger would lead to the combined business having a 25 per cent share of any one *market*.

The deal would also leave the merged business with a strong position in UK egg, where J. B. Eastwood is said to be largest producer, and turkey markets.

Imperial says that there are enough competitive forces in the industry to prevent its gaining a dominant position.

The group has substantial interests in poultry breeding, and sees the merger with Eastwood as a method of improving its breeding stock. Last year Imperial exported about 1.4m birds.

Eastwood's share price climbed 35p yesterday to 160p on news of the counter-bid, while Imperial's price slipped 1p to 81p.

The offers for Eastwood have come almost simultaneously with the group's announcement last month that pre-tax profits for the year ending on March 31 this year had slipped by 42 per cent.

Cargill, with annual sales of more than $10bn (£5.4bn), has said that it wants Eastwood to expand its own egg and poultry business into the UK.

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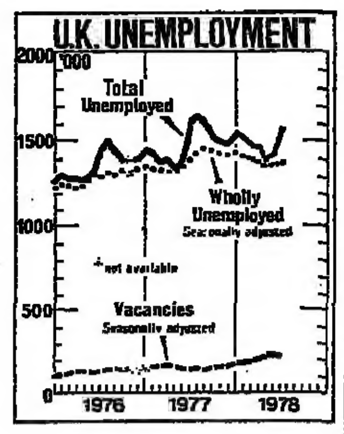

Jobless rise 'against trend'

By David Freud

ADULT unemployment rose this month for the first time since September. However, the increase was small and officials remain confident that the underlying trend is still level or falling gently.

Department of Employment figures show that the number of adults out of work in the UK rose by 6,600 to 1.37m in the month to mid-July, taking seasonal factors into account. The proportion of the workforce unemployed was steady at 5.7 per cent.

The increase is mainly attributed to summer school-leavers, who are now entering the labour market in great numbers and are taking jobs that would otherwise have gone to adults.

This factor also helps to explain the 6,400 fall to 211,000 in vacancies notified to employment offices. These vacancies, estimated at about a third of those in the country, had risen steadily over the previous nine months at an average rate of 7,800 a month.

Mr. Albert Booth, Employment Secretary, said he did not believe that the figures meant an end to the gradual decrease in the number of unemployed, which is now 63,600 below the post-war peak of last September and 27,200 below the level of July 1977.

The number of school-leavers joining the register in July was 97,900, bringing the total to 243,400. This is normally the peak month for school-leavers on the register, and officials are encouraged by the fact that there are 10,000 fewer on it this year than at the same time last year.

Because the number of school-leavers joining the labour market this academic year is 17,000

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£ in New York

—	July 18	Previous
Spot	$1.8830-8905	$1.8830-8840
1 month	0.54-0.48 dis	0.55-0.49 dis
3 months	1.23-1.17 dis	1.27-1.21 dis
12 months	4.85-4.65 dis	4.80-4.70 dis

Gas profit—but prices may go up

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH GAS Corporation made a pre-tax profit of £180.3m in the last financial year, about six times the previous record profit in 1976-77.

Though the state-owned corporation expects a further big profit this year, certainly over £120m, its chairman, Sir Denis Rooke, foresees need of a price rise in the next 12 months.

He said yesterday that the undertaking aimed to build reserves equivalent to 25 per cent of net assets, £2.1bn last year.

The corporation's reduced borrowings and profitability enabled it to increase reserves from 5 per cent to 15 per cent of these assets, but this was still too low for a business of the size of British Gas.

Reserves

In the absence of a realistic financial target set by the Government, the corporation would strive to make a profit, before tax but after interest and depreciation charges, of at least 4 per cent on turnover, now approaching £3bn, he said.

In this way reserves should be increased from £313m to some £600m by the end of 1981.

Sir Denis said that last year's profit, which represented a 7 per cent return on a total turnover of £2.57bn, was higher than planned because of the increase in gas tariffs from April last year, requested by the Government to reduce public-sector borrowing by an additional £100m.

This level of profitability would have been far greater had British Gas used historic cost-accounting methods instead of current cost-accounting.

The accounts show that £384m of extra charges were made against trading profit than could have been made under the historic cost-accounting system observed by most private companies.

Sir Denis said that supplementary depreciation was required in full to maintain the business on a healthy financial basis. It was the right policy for the corporation and its customers, he said.

Even so, the corporation's 14.5m customers can expect an increase in prices in the next year though British Gas believes that tariffs will not be affected before April.

Service charges may well be increased later this year. The annual report says that the charges are seriously out of line with costs because of earlier price restraint.

The National Gas Consumers' Council was "deeply disappointed" that the price freeze was unlikely to continue. Sir Mark Henig, deputy chairman said: "This was one of the most important planks in our protection platform, and it appears to have been hacked away."

One reason why gas prices are likely to rise is that the corporation pays higher costs for North Sea supplies.

In 1977-78, when the average revenue from gas sales was 12.2p a therm, British Gas paid some 1.8p a therm for supplies.

Last year, with revenue averaging 14.5p a therm, costs were nearer 2.9p a therm, excluding transmission charges.

This would have been higher but for the late arrival of high priced gas from the Anglo-Norwegian Frigg Field in the northern North Sea. It was a reason why profits were higher than expected.

Now that British Gas is about to receive a much higher proportion of supplies from the northern fields its costs will rise much faster. It is estimated that this year the corporation will pay an average of over 5p a therm.

Up to now British Gas has bought virtually all its supplies from other energy-producers, but soon it will exploit its first wholly-owned field, the Morecambe discovery in the Irish Sea.

Morecambe is thought to contain between 2 trillion (million-million) and 3 trillion cubic feet, bigger than several fields in the southern sector of the North Sea, and on a par with the West Sole and Viking discoveries.

British Gas is already taking the initial steps toward development of Morecambe, which is likely to feature in a £1.6bn investment programme over the next five years.

Two-thirds of this money will go toward new transmission, distribution and gas storage developments needed as a result of sales growth; and about a fifth for offshore development.

Robin Reeves writes: Total investments by Wales Gas will amount to more than £100m over the next five years, Mr. Dudley Fisher, Wales Gas chairman, announced in Cardiff yesterday.

He disclosed that besides the recently-announced expenditure of some £43m on new transmission mains over the next five years, the largest programme of any UK region, Wales Gas planned to invest a further £54m.

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The electricity industry has announced that the off-peak tariff will be cut by 20 per cent outside Scotland from next October. Back Page

Statfjord oil field plans face new delay

By Fay Gjester

OSLO, July 18.

DEVELOPMENT OF the Anglo-Norwegian Statfjord oil and gas field, already delayed by difficulties with the field's first platform Statfjord A, may be further held up because of planning problems with the second platform, Statfjord B.

Mobil, operator for the Statfjord group of companies developing the field, hoped to tow Statfjord B to site in August 1981, with production from the platform starting the following year. Oslo reports say that design work on the platform's steel superstructure is so behind schedule that the tow out could be delayed until 1982. Construction of Statfjord's B concrete base, being built in Stavanger by Norwegian contractors, is going ahead according to schedule.

Brown and Root, the engineering company doing the design work on the superstructure, concede that the work has been delayed, but attribute this to changed requirements by Mobil. They have not said whether the delays will lead to postponement of the tow out.

A year's delay in getting Statfjord B on site would further increase development costs — which are already running at several times initial estimates, and would postpone revenue from the field.

THE BREZHNEV SUCCESSION

Kulakov's death poses dilemma

BY DAVID SATTER

MOSCOW, July 18.

THE SUDDEN death of Mr. Fyodor Kulakov, one of the youngest members of the ruling Soviet Politburo and the most likely eventual heir to the Russian leadership, has left the Kremlin with a familiar but uncomfortable dilemma.

The Soviet leadership can now move a prominent figure into Mr. Kulakov's vacated place and automatically create a new candidate who could eventually replace Mr. Leonid Brezhnev, the Soviet President and Communist Party chief. Or they can skirt the issue entirely by promoting someone whose background and interests all but exclude him from consideration as the successor to Mr. Brezhnev.

In each previous case, the Politburo has chosen to ignore opportunities to promote candidates for the leadership. But in the case of Mr. Kulakov (60), who was in charge of the crucial agricultural sector, the Politburo may feel compelled to assign his post to a major figure. This could necessitate a political realignment that they would prefer to avoid. Mr. Kulakov was both a member of the Politburo and a long-time member of the Central Committee's influential secretariat.

The authorities are under no obligation to appoint a new Politburo member—with 13 members, the Politburo is still larger than usual—and, if the short-term decision is to hold change to a minimum, they may settle for appointing a new member to the secretariat who would be later elevated to Politburo status.

Under these circumstances, the most likely successor to Mr. Kulakov's responsibility for agriculture would be Mr. Vladimir Karlov, Mr. Kulakov's first deputy when he headed the Agricultural Department of the Central Committee and the current head of the Department.

Another possibility would be Mr. Valentin Mesyats, the present Minister of Agriculture, although he has relatively little experience. Neither man would be a serious candidate for the leadership.

In the end, the choice may hinge on the leadership's assessment of the state of agriculture. Agricultural production declined by an estimated 5 per cent last year.

Apparently reacting to this, the Central Committee last month held its first plenum devoted exclusively to agriculture since 1965, and the leadership has set ambitious and perhaps unrealisable targets for increased agricultural production.

All this would seem to suggest that in the unpredictable world of the Kremlin's internal politics, there may be a strong inclination to fill Mr. Kulakov's post with someone of acknowledged competence and prestige.

Vladimir Shcherbitsky

If the Politburo decides that Mr. Kulakov's former agricultural post must be filled by a Politburo member in order to give it appropriate weight, an obvious candidate is Mr. Vladimir Shcherbitsky (60) the Ukrainian party leader, who was hailed last year by Mr. Brezhnev for his "energy, willpower and Bolshevist ardour" when he received his second Hero of Socialist Labour award in connection with his role in the Ukraine's record 1977 grain harvest.

The outstanding obstacle to Mr. Shcherbitsky being brought to Moscow to take over responsibility for agriculture is that it would establish him immediately as the fifth most important Politburo member after Mr. Brezhnev, Mr. Alexei Kosygin, the Premier, Mr. Andrei Kirilenko and Mr. Mikhail Suslov. Because of his relative youth, he would become heir apparent to Mr. Brezhnev.

Other possibilities within the Politburo include Mr. Bimukhamed Kunayev, the Kazahstan party chief, who received some credit in connection with the bumper grain harvest in his region in 1976. But, as a Kazak, he would almost certainly not be promoted any further. Other contenders are Mr. Pyotr Masherov, the party leader in Byelorussian region, and Mr. Mikhail Solomentsev (65), the party chief of the Russian Federation—but neither are thought to be likely candidates for the top leadership.

The identity of the Kremlin's future agriculture overseer, therefore, poses two questions. How reluctant are the Russians to raise the succession issue they have tried consistently to avoid? And, is the agricultural situation sufficiently serious to warrant the choice of the apparently most capable and politically powerful candidate, Mr. Shcherbitsky? The second question poses the same dilemma of who should succeed Mr. Brezhnev.

Barnett attacks EEC farm spending

By Margaret van Hattem

BRUSSELS, July 18.

BRITAIN TODAY launched yet another attack on rising EEC spending on agriculture, this time as Community Ministers met for a preliminary review of Commission proposals for the 1979 budget.

Mr. Joel Barnett, UK Treasury Secretary, demanded curbs on the power of agriculture ministers who, he said, "in taking their decisions, leave it to finance and budgetary ministers to fund whatever money is required to meet agricultural policies that build up bigger and bigger surpluses."

Commission forecasts showed that the agriculture budget, which already takes up 70 per cent of total EEC spending, would grow by 19 per cent in 1980 and another 14 per cent in 1981, compared with Community inflation average of 6 per cent.

He called for cash limits on agricultural spending, to be set by finance ministers well before agriculture ministers began their annual review of EEC farm prices.

Agriculture ministers had already largely determined the level of spending for 1979 in the farm price review earlier this year. "If past practice is followed, we shall be in exactly the same position this time next year in relation to the preliminary draft budget for 1980," he added.

This would commit the Community to a level of spending totally unacceptable to the British Government.

Speaking outside the Council meeting, Mr. Barnett said later that he had received no support for his ideas from any of the other eight members, and that he expected a hard fight in getting them accepted.

But, he said, the EEC summit meeting at Bremen had come out clearly against the excessive proportion of Community spending on agriculture, and he hoped to see this taken up at ministerial level in the next few months.

Sources from other national delegations appear to regard Mr. Barnett's arguments with a certain amount of cynicism.

They point out that the UK has been demanding cuts in agricultural spending and price freezes on farm products chronically in surplus for some time, but has been prepared to relax its stand when national issues such as milk marketing boards or pigmeat subsidies were at stake.

Basque party urged to support new Spanish constitution

BY JIMMY BURNS

MADRID, July 18.

THE GOVERNMENT and leaders of the Socialist Party, the leading opposition group, were making a last desperate bid today to persuade Basque parliamentarians to support the final text of the Spanish Constitution.

Parliament is due to begin a crucial debate on the constitutional articles relevant to the regions.

Faced with continuing deadlock with the Basques, the Government this morning called in Sr. Abril Martorell, the deputy Prime Minister. Sr. Martorell was largely responsible for the smooth transfer of power to local officials in the Catalan region, and is regarded as one of Spain's more persuasive politicians.

Both the Government and the main opposition parties based in Madrid fear that a threatened rejection of the Constitution by the Partido Nacional Vasco (PNV), the principal Basque parliamentary party, would encourage militant separatism in the Basque region and lead to renewed violence during the coming referendum.

Until now the PNV has argued that the present text of the Constitution does not clarify sufficiently the autonomous status of the Basque region. The party wants to see clear recognition of a series of Basque rights and customs dating back to medieval times, which were abolished in 1876 at the end of the Carlist wars. These rights would include special taxation for the Basque region and an autonomous police force. The party emphasises that these ancient rights should be re-established as a result of a direct pact with the present Government.

Throughout the negotiations with the PNV both the Government and the opposition parties have insisted that the constitutional text goes far enough on the question of autonomy. Their feeling is that amendments giving a privileged position to the Basques would upset other regions such as Catalonia, which has so far been content with the autonomy granted to it.

The Government's carefully elaborated strategy for the regions has, in the case of the Basque land, already involved the setting up of a local administrative body, the Basque General Council and the recognition of the Basque language and of the Basque national flag, the "ikurrina."

In the present climate of political unrest in the Basque country, most political observers have agreed on the necessity for the constitution to succeed in doing what General Franco failed to do for over 40 years—to grant fair treatment not just to the Basques but to all the regions, other than the area immediately surrounding Madrid.

Compromise between the PNV and the Government on the constitution will still leave a number of problems in the Basque region unresolved.

The PNV, keenly aware of its nationalist roots, has always feared that any final agreement with the central Government could be viewed as a sell-out by many of its more militant younger members and those Basques closer to the extremist ETA line. Whatever the final decision taken by the Government and the PNV both sides will clearly be taking a major political gamble.

Slower rise in Danish retail prices

By Hilary Barnes

COPENHAGEN, July 18.

RETAIL PRICES rose by 3.1 per cent in the six months to June, according to the official Danish wage-adjusting retail price index (which excludes indirect taxes). Over the past year, prices have risen by 7.6 per cent—down from 9.1 per cent in the previous 12-month period.

The average index for May to July is expected to trigger an index-linked wage and salary increase of 60 ore an hour (about 1.5 per cent for an average industrial worker) in the autumn.

Danish gross domestic product rose by 1.8 per cent in 1977, according to revised estimates from the Bureau of Statistics, compared with a revised 6.2 per cent growth figure for 1976.

Investment last year fell by 3.8 per cent, private consumption rose by 0.9 per cent and public sector consumption by 2.7 per cent.

Court rules against journalists

BY OUR OWN CORRESPONDENT

MOSCOW, July 18.

A MOSCOW court today upheld a slander suit filed against two U.S. correspondents by the Soviet State Committee for Television and Radio and ordered the correspondents to publish retractions within five days.

The court also ordered Mr. Craig Whitney of the New York Times and Mr. Hal Piper of the Baltimore Sun to divide the costs of 2,289 roubles (£1,800) between them. It did not, however, ask the Foreign Ministry to review their accreditation with a view to revoking it as had been asked by the State Prosecutor.

The ruling by the judge Mr. Lev Almazov came after Mr. Zviad Gamsakhurdia, a Georgian dissident imprisoned last May for anti-Soviet agitation, testified that a film interview on Soviet television in which he repented his dissident activities was authentic.

Mr. Piper and Mr. Whitney had travelled to Georgia shortly after the interview was broadcast on May 19 and quoted unnamed friends of Mr. Gamsakhurdia to the effect that his televised confession was fabricated.

In answer to a question from Judge Almazov, Mr. Gamsakhurdia said that the film corresponded to what he had said.

Mr. Whitney, in his article, quoted Mr. Gamsakhurdia's wife Manana as saying that her husband, a former ardent advocate of a separate Georgian state, insisted at his trial that he did not renounce "humanitarian and the patriotic activities."

In the courtroom today the word "patriotic" was conspicuously dropped. Mr. Gamsakhurdia referred instead to "humanitarian and pedagogic" activities which he said had nothing to do with his "anti-Soviet activities."

David Buchan adds from Washington: The State Department today "deplored" the libel verdicts passed on the two American correspondents, and a spokesman said the action had "obvious implications for the ability of American reporters to do their work in the Soviet Union." But he declined to comment on whether any retaliation would be taken against Russian journalists in Washington, who two weeks ago were called in to both the White House and State Department.

The Baltimore Sun's Managing Editor said that his paper would not print a retraction, as demanded by the Soviet court, of the story by Mr. Piper. But it would pay the court costs imposed and any fine for failing to print the retraction. The New York Times was still considering its position. State Department officials said the question of retraction was entirely for the two newspapers to decide, though the Department "was monitoring the situation very closely."

UK watch on Helsinki progress

By Our Foreign Staff

DR. DAVID OWEN, Foreign Secretary, has instructed British embassies in Russia and Eastern Europe to monitor the progress of the Soviet bloc in implementing the Helsinki Agreement.

In a major review of Russian activity, and in the wake of the series of dissident trials, Dr. Owen insisted there had been "little progress" by the Soviet Union and its allies in implementing the agreement.

"As can be seen from the outcome of recent trials of members of the Helsinki Monitoring groups, there has been a marked deterioration in the implementation of Principle 7—'The Respect of Human Rights and Fundamental Freedoms,' in the Soviet Union."

Dr. Owen admitted in Commons written reply to Sir Harold Wilson, that it is "unrealistic to expect rapid progress."

But he continued: "I have instructed our posts in the Soviet Union and Eastern Europe to provide regular assessments of the progress made by their host Governments in implementing the Final Act.

"I will make such information available to the Commons on a six-monthly basis between now and the opening of the Madrid review conference in Autumn, 1980."

Orlov appeal rejected

By Our Own Correspondent

MOSCOW, July 18.

A SOVIET court today rejected the appeal by Dr. Yuri Orlov, leader of the dissident committee which tried to monitor Soviet observance of the Helsinki accords, against his 12-year labour camp and exile sentence for anti-Soviet agitation.

Dr. Orlov's wife, Irina, said that the Supreme Court of the Russian Federation "upheld without change" the sentence given to her husband last May in a trial which Dr. Orlov said in his appeal was "one-sided and unobjective."

He cited as evidence the fact that no defence witnesses were called, that the court had refused to examine relevant documents and that he was constantly interrupted by the judge and hostile spectators when he tried to address the court.

Mrs. Orlov, who was allowed to attend the hearing with her two adult stepsons, said that the State argued that although Dr. Orlov said he was not aiming at subversion, the number of documents he produced and the methods of their distribution indicated the presence of subversive aims.

Dr. Orlov was accused at his trial of slandering the Soviet State

Tourist trade prospering

BY DAVID EGLI

GENEVA, July 18.

TOURISM is "perhaps the only economic sector in the world that showed continued growth in the course of the current recession," according to a report submitted to the UN Economic and Social Council in Geneva.

Prepared by the World Tourism Organisation, the report says that some experts predict that tourism could become the most important single economic activity in the world by the year 2000.

The traditional tourist destinations are gradually becoming saturated, the organisation says, but while it becomes ever harder to find a place off the beaten track, many developing countries have barely tapped their potential to attract tourists.

The problem is not so much to promote tourism in the Third World because it is bound to grow, but to help the countries make sure that the growth of the industry is balanced, steady and without negative effects. It is also necessary to help them avoid costly mistakes and to ensure that they gain a fair return for investment

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COMPANY NOTICES

CANON INC.

(Formerly Canon Camera Kabushiki Kaisha)

DEPOSITARY RECEIPTS TO BEARER

Notice is hereby given that holders of EUROPEAN DEPOSITARY RECEIPTS to Bearer (Share E.D.R.'s), should now present their Receipts and Talons listed on special forms available either from Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX, or from Banque Internationale a Luxembourg, 2 Boulevard Royal, Luxembourg, in exchange for new RECEIPTS of the same denominations together with Talons and Coupon Sheets incorporating Coupons Nos 31-60 inclusive.

New Receipts have been printed showing the present name of the Company (now known as CANON INC.), and for ease of identification all new documents will bear a double letter prefix.

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On 22nd July, 1978 Coupon No. 13 of the above bearer stock is payable at a rate of $0.27 per share, subject to deduction of all applicable local taxes, at the following banks.

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Herengracht 548—AMSTERDAM.
KREDIETBANK SA,
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—LUXEMBOURG.

SAVE & PROSPER DOLLAR FIXED-INTEREST FUND LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of Save & Prosper Dollar Fixed-Interest Fund Limited will be held at 37, Broad Street, St. Helier, Jersey, Channel Islands, on Tuesday, 19th September, 1978, at 12 noon, for the purpose of receiving the Report of the Directors and the Statements of Account for the year ended 31st May, 1978, confirming the dividend payments, electing two Directors, approving Directors' fees, re-appointing Auditors and approving their remuneration, and for other business of an Annual General Meeting.

By Order of the Board.
SAVE & PROSPER (JERSEY) LIMITED
Secretaries.

10th July, 1978.

A Member entitled to attend and vote at this Meeting may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. Proxies must be lodged at the Company's Registered Office at least forty-eight hours before the Meeting.

THE COMMERCIAL BANK OF THE NEAR EAST

Holders of Share Warrants to Bearer are informed that they will receive payment of the dividend for 1977 of 25p per share on and after the 18th July, 1978, on surrender of Coupon 47 at the Office of the Bank, Bankside House, 107-112 Leadenhall Street, London EC3A 4AE. Coupons must be left three clear days for examination.

N. M. PEGGIE, Secretary.
Bankside House,
107-112 Leadenhall Street,
London EC3A 4AE.

THE ROYAL BANK OF CANADA
DIVIDEND NO. 364

NOTICE IS HEREBY GIVEN that a dividend of 37½ cents per share upon the paid up Capital of this Bank has been declared for the current quarter and will be payable at the Bank and its branches on and after August 24, 1978, to shareholders of record at the close of business on July 24, 1978.

By Order of the Board.
R. C. FRAZEE, President.

BRITISH STEEL CORPORATION
US.50,000,000 8¾ PER CENT
GUARANTEED BONDS 1989

Holders of the above Bonds are advised that copies of the Annual Report and Accounts of British Steel Corporation for the year ended 1st April 1978 are available from S. G. Warburg & Co. Ltd., Coupon Department, St. Albans House, Goldsmith Street, London EC2P 2DL.
19th July 1978.

PUBLIC NOTICES

GRIMSBY BOROUGH COUNCIL
£500,000 Bills issued 19.7.78 at 9 11/32% to mature 18.10.78. Total applications £4.5m. Total outstanding £500,000.

LONDON BOROUGH OF REDBRIDGE
Bills amounting to £1,000,000, maturing on 17th October, 1978, were issued on the 18th July, 1978, at the average discount rate of 9.343755% per annum. Applications totalled £10,000,000. Total amount of Bills in issue is £2,500,000.
G. U. PRICE, Borough Treasurer.

MID BEDFORDSHIRE DISTRICT COUNCIL BILLS
£240,000 Bills issued 19 July, 1978, due 18 October, 1978, at 9 5/16%. Applications totalled £2,400,000 and there are £240,000 Bills outstanding.

WALSALL METROPOLITAN BOROUGH BILLS
£4,300,000 Bills issued 19th July, 1978, due 18th October, 1978, at a rate of 9 5/16%. Applications totalled £40,000,000. These are the only Bills outstanding.

ART GALLERIES

ACHIM MOELLER GALLERY, 8, Grosvenor Street, off Bond Street, W.1. Tel.: 493 7611. Selection of 15 paintings by KADINSKY and 20th CENTURY MASTERS. Modigliani, Leger, Braque, Mondrian, Ernst, Miro, Klee, Picasso a.o. through July.

BROWSE & DARBY, 19, Cork Street, W.1. Robin Philipson — Women Observed. Mon.-Fri. 10.00-5.00. Sat. 10.00-12.30.

CHANDRE GALLERY, 5-6 Cork St., W.1. 01-734 4626. Exhibiting paintings by GREGORY FINK. Mon.-Fri. 10-5.30. Sats. 10-1.

COVENT GARDEN GALLERY FAR AWAY —Decorative watercolours, From and of Egypt, India and China. 20, Russell St., W.C.2. Tel. 836 1139.

FIELDBORNE GALLERIES, 63, Queen's Grove, St. John's Wood. 586 3600. LANDSCAPES by Royal Academicians. MARBLE Carvings, YOMA SASBURGH.

LUMLEY CAZALET, 24, Davies St., W.1. 01-499 5058. MATISSE — Drawings, Prints and Illustrated Books. Until 28 July.

MALL GALLERIES, The Mall, S.W.1. Society of Women Artists 116th Annual Exhibition. Daily (inc. Sun.) 10-5. Until 1 p.m. July 21st. Adm. 20p.

SLOANE STREET GALLERIES, 158 Sloane St., W.1. Modern paintings, sculptures and graphics by interesting international artists. Wide range of prices. Tues.-Fri. 10.00-5.00. Sats. 10.00-1.00.

LEGAL NOTICES

No. 002175 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of LAUGHTON HILL GARAGE LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 7th day of July 1978, presented to the said Court by GEOFFREY HERRING of The Bungalow, Mill Lane, Lower Heyford in the County of Oxford, a lorry driver, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 9th day of October 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

LOVELL SON & PITFIELD,
3, Verulam Buildings,
Gray's Inn, London WC1R 5LP.
Ref: AM. Tel: 01-242 7383.
Agents for:
ALFRED TRUMAN & SON,
Bicester, Oxon.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 6th day of October 1978.

EUROPEAN NEWS

Bonn will provide Zaire border warning system

BY JONATHAN CARR

BONN, July 18.

WEST GERMANY is for the first time drawing Zaire and Zambia into its foreign military aid programme—action seen as part of a Western effort to help protect the independence of both African countries.

Informed sources here stress that there is no question of providing weaponry and that the initial sums involved—already quietly approved by the relevant Bundestag committees—are relatively small.

A total of DM6m is earmarked for a telecommunications system for Zaire following talks between a Zairean military delegation and the Defence Ministry here earlier this month to iron out the details. Another DM3m is available for vehicles, mainly trucks, for Zambia.

However, the action is felt to have a significance greater than the sums alone imply. The telecommunications system is expected to be used along the Zaire border to provide quick information of any violation—such as occurred in Shaba province in May.

The step is also seen as another sign of West Germany's increasingly active interest in the African continent after years in which the prime concern was overwhelmingly commercial.

One clear indication of the new course was Bonn's participation in the five-nation conference on the economic and security problems of Zaire, held at French invitation in Paris on June 5.

Another was Chancellor Helmut Schmidt's visit to Nigeria and Zambia at the end of June—his first official trip to Black Afrmica. At the end of it he urged that copper from Zambia and Zaire be included in the European Community's export earnings stabilisation scheme—a call he repeated to his fellow leaders at the European Council in Bremen on July 6 and 7.

Not least for reasons of history, West Germany is ready neither to deliver arms to areas of tension nor to participate directly in a military operation—such as that staged by French and Belgian forces to evacuate Europeans from Shaba.

Indeed there has recently been a tightening of the weapons control law here to reduce the possibility that German-made arms may find their way, even indirectly, to areas of tension.

But Bonn is now prepared to play an increasingly active role in a division of labour among Western countries. A key aim is to stop the spread of Soviet and Cuban influence in Africa. *The new military aid action is* one sign of this.

Filbinger determined to stay on despite criticism of war role

BY ADRIAN DICKS

BONN, July 18.

HERR HANS FILBINGER, the Christian Democrat state Premier of Baden-Wuerttemberg, has once again denied reports that he intends to resign. There are, however, increasing signs within the party that his continued presence in office, vigorously defending his conduct as a wartime naval judge, may now be a political liability.

The Hamburg branch of the young CDU today adopted a formal resolution calling on Herr Filbinger to resign.

In another development, an independent public opinion poll taken for the mass-circulation daily Bild-Zeitung within the past 48 hours revealed that two-thirds of all West Germans now also think the Baden-Wuerttemberg leader ought to be replaced.

In a radio interview over the weekend, Herr Filbinger was criticised by his closest colleague in the national CDU, Herr Alfred Dregger, who is at present the party's front-line fighter with a fair chance of winning control of the neighbouring state of Hesse in October's election.

Seeking to disinguish between personal friendship and "critical solidarity," Herr Dregger said it was unfortunate that Herr Filbinger had chosen to defend himself legalistically rather than politically against his attackers.

Herr Filbinger has been criticised for having, as a naval judge under the Nazis, sentenced at least five deserters to death and for having made certain that one of these sentences was carried out at a time in the last months of the war when he might have been able to save the condemned sailor's life.

Herr Dregger suggested that Herr Filbinger, instead of suing the playwright Rolf Hochhuth and several news magazines which have published these facts, ought to have admitted his mistake.

"All the present embarrassment would have been avoided if he had said he believed he had done the right thing in a tragic situation, that he still believed he had done the right thing, but that he would place himself before the judgment of his fellow citizens and of history," Herr Dregger suggested.

While Herr Dregger's remarks were plainly worded as noncommittally as possible, they left no doubt that Herr Filbinger's determined defence of his conduct as nothing more than his duty under difficult circumstances is now seen as potentially harmful by the Right as well as by the more moderate elements of the CDU.

Despite denials both *from* Herr Filbinger's office in Stuttgart and from the party's national headquarters in Bonn, reports are circulating that he may agree to leave office on his 65th birthday in mid-September.

Potential successors, according to a report in the Frankfurther Allgemeine Zeitung, include Herr Manfred Rommel, the moderate CDU Mayor of Stuttgart and son of the wartime field marshal, and the present Baden-Wuerttemberg Interior Minister, Herr Lothat Spaeth.

At the end of last week Herr Filbinger's chosen line of defence, through the courts, suffered a reverse when lawsuits against Herr Hochhuth and against the Hamburg weekly Die Zeit were dismissed by a judge.

WEST GERMAN car production *in June rose to 377,600* units—compared with 322,900 in the previous month and 332,846 in June last year, Reuter reports from Frankfurt. However, domestic demand was slack after the good level of orders recorded earlier in the year, the Automobile Industry Association said.

Giscard to discuss Portuguese EEC entry

By Our Own Correspondent

LISBON, July 18.

FRENCH PRESIDENT Valery Giscard d'Estaing starts a *three-day official trip to* Portugal tomorrow.

Several mutually important economic and political issues will be raised in talks between President Antonio Ramalho Eanes and his French counterpart.

Ties between Portugal and France, always strong, have been growing since the April, 1974, revolution. France, however has an ambivalent attitude to Portuguese entry into the European Common Market.

The French, however, do want their brother Latins, the Portuguese and the Spanish, in the Market to counterbalance the German/British axis.

The French President has made his EEC views known during a recent visit to Spain, and will be carrying a similar message to Lisbon.

Portugal has other interests for the French. More than a million Portuguese emigrants live and work in France; the State-owned Renault motor company has announced the biggest foreign investment in Portugal since the revolution; France has a missile monitoring base on the Portuguese Azores; and the French are major trading partners and top buyers of port wine.

During meetings with Portuguese leaders, President Giscard is expected to discuss France's initiative in Africa and be briefed on the recent Angolan-Portuguese summit in Guinea Bissau.

Although the French President is keen to get Portuguese backing for his policies in Africa, sources here say he will probably get a polite refusal. The Portuguese won a lot of bonus points in the region when they remained neutral on French actions in Zaire during the Shaba invasion.

David White adds from Paris: The main problem from the French point of view of Portuguese entry into the EEC is that of overlapping in agricultural produce. *Dr. Soares,* the Portuguese Prime Minister, said however in an interview with French television today, that Portugal was not in the same boat as Spain as far as competing with French farmers was concerned.

VIOLENCE IN TURKEY

Crisis in the economy fuels political unrest

BY DAVID TONGE

Mr. Ecevit's task grows bigger.

THE POLITICAL death toll in Turkey this year is now over 300. Ten years ago the killing of two students in an anti-American demonstration produced outrage throughout the country. Today an average of two killings are recorded each day. The hopes that the Government of Mr. Bulent Ecevit, which took office in January, would be able to control this situation have so far proved vain.

The violence is now such as to raise the question of whether civilian rule is threatened, perhaps deliberately. A recent cartoon grimly portrays this fear by showing a blood-stained hand feeling its way up a series of steps. It has already passed over students and workers, is resting on the ethnic groups which make up Turkey, and is fingering the police.

Its next move, the final one before reaching the flames of civil war, is to the army. The cartoonist, Mr. Bedri Koraman of Milliyet, leaves undefined who is controlling its movement.

The cartoon's view of the future may be pessimistic, but *as a record of what has already* happened it is accurate. The universities are almost as tense as when they were the battlegrounds of earlier conflicts. Students are still being gunned down, as are members of the teaching staff such as the able and personable Professor Bedrettin Comert of Ankara's Hacettepe University: Dr. Comert had been a member of a commission investigating the activities of Right-wing extremists on the campus. Equally, for all the Government's attempts, the teachers' training colleges are still frequently citadels of the militants, and clashes between groups of workers occur sporadically.

What is relatively new, and in the long-term threatens not merely political stability but also national integrity, is the fostering of religious and racial tensions. The split between the Sunni and Alevi sects — the orthodox Moslems and followers of the Caliph Ali — has begun to take on a new political nature. *The Sunnis,* who are more traditionally minded, tend to support the right, while the Alevis prefer the reformist programme of Mr. Ecevit.

Even more serious are the problems with the Kurds. At least 5m of these live in mountainous south-east Turkey. The Minister of the Interior, Air Marshal (retired) Irfan Ozaydinli, says that a "harmful game" is being played with the ethnic groups to induce the Government to take such measures as proclaiming martial law. In April a parcel bomb killed the Mayor of Malatya, a Kurd named Hamit Fendoglu. His death led to three days of riots which further exacerbated passions in the increasingly - disturbed, mixed-racial areas.

While the Turkish extra-parliamentary Left has long espoused the cause of the Kurds, it is the extreme Right which is widely blamed for the recent fostering of racial tension: the parcel bomb which killed the mayor was reportedly made by right-wing militants at Ankara's Nuclear Research Centre which they then controlled. But *Turkey's strategic position is* such that about the only point on which all parties agree is that outside parties are also stirring the pot.

Turkey's Minister of the Interior sees the roots of the present near-anarchy in the country in the lack of jobs and a poor education system.

Prominence has been given in the Turkish press to the charge that Savak, the secret police of the Shah of Iran, had set up a Kurdish organisation active in Turkey Kawa. The recent fighting in northern Iraq has also seen some military activity inside Turkey's remote Nakkari province.

The factors behind the upsurge of violence in Turkey are complex. Switching from a subsistence agricultural economy to a partially industrialised market economy has led to a massive relocation of population, with a consequent breakdown of the extended family ties of the villages and the sprawling growth of the urban slums. Such problems have been accentuated by the quadrupling of the population since the republic was founded in 1923.

That such pressures have been *accommodated by Turkey's post-*war parliamentary system is a point which Turkish politicians argue is often overlooked. But recently a new threat has emerged in the shape of the economic crisis. Unemployment is nearing 20 per cent and consumer prices rose 65 per cent in the year to April.

Mr. Ozaydinli recently blamed the exploitation of beliefs and ethnic factors on the election practices seen under today's pluralistic democracy. But he insisted that the roots of the anarchy lie in the economic factor.

As with the economic crisis, the Ecevit government is a victim of the situation it inherited in January. But on this occasion the two camps of militant right and militant left were clearly staked out. Their leaders deny responsibility for the violence, blaming groups close to them ideologically but uncontrolled by them.

Both insist that the violence *is initiated by their opponents*—a claim manifestly more true when made by the Left. This shows the same divisions evident elsewhere in Europe, with active Maoist parties opposing the larger pro-Moscow parties—and both usually at odds with Devgenc, the Revolutionary Youth. This widespread organisation is more extreme and regards attacks as necessary in *self-defence. However, it is small* extremist groups such as the Acilcilar which are mainly involved in the violence initiated by the Left.

Such violence may involve bank robberies as well as gunfire. But violence by the Right is both far more frequent, and almost always murderous in intent. The machine gunning of bus queues of left-wing students, bombs dropped from windows on meetings of their opponents or placed in the cafes used by them, the gunning down of professors or prosecutors looking into their activities—these are the usual tactics of the militant Right.

The main organisations on the right are the Commandos and the Grey Wolves, the shock troops of the Ulku Ocaklari, the Idealist Organisations which support the neo-fascist Nationalist Action Party (NAP) of Colonel (retired) Alparslan Turkes.

Mr. Turkes is noted for the contradiction between his appeals for peace and the actions of the organisations sun*porting him. Some of his youth* leaders have had convictions for murder and his own bodyguard was arrested this winter for throwing a bomb at a mayor supporting the present government. After initially concentrating his efforts on the developing west of the country, Mr. Turkes has changed his tactics. His present thrust is to win the backing of those elements of traditional society who fear the changes creeping through Anatolia.

This involved a massive infiltration of the state machinery during the two years when Mr. Turkes was Deputy Prime Minister. There has also been the espousal of violence to the extent that Mr. Ecevit openly says that "the large majority of those caught in acts of violence and convicted are from the NAP."

The 1m votes won by Mr. Turkes last year and the mass rallies he has since held show that he remains a serious force. The Government explains the present surge in violence as a reaction against its taking of opportunities away from militants inside the State machinery. But for all the Government's attempts to carry out such a purge, it is estimated that only one-fifth of the NAP's militants have yet been swept out.

One particular problem has been with the security forces. NAP activists occasionally seem warned of police raids and guns they are heard to use are often not found during such raids. This weekend's sacking of the acting police chief of Istanbul was a sign that all is not well. The Government has so far found it hard to control the police, moreover it has lost the goodwill of a substantial body of lower officers.

Here the crucial question is whether the army will erupt into the political arena as it did in *the 1971-73 period—at grave cost* to its reputation. Now, rejecting such measures as martial law, the Government has preferred to set up strengthened "Public Order Units" in the south-eastern provinces most affected by communal troubles.

OVERSEAS NEWS

Smith urges black leaders to deliver the ceasefire

BY TONY HAWKINS

SALISBURY, July 18

SAYING THAT it is now up to the black members of Rhodesia's transitional Government to "deliver the goods," Mr. Ian Smith said today that the internal settlement could not work without a ceasefire in the guerrilla war.

"There is an agreement," the Prime Minister said, "and people have to comply with all parts of the agreement. One of the parts of the agreement is that the war is going to end and that there will be peace — that we can hold elections under which there will not be intimidation."

Mr. Smith said he and his three black colleagues in the Executive Council were determined to make the agreement work but he expressed dissatisfaction with the lack of progress in securing a ceasefire and blamed the African members of the Executive for this. He said the implementation of the ceasefire was an area where the black members of the coalition Government were operating "almost exclusively."

Mr. Smith conceded that white Rhoedsians were more worried than ever before. It was impossible to implement the Salisbury agreement in segments. The whole thing had to work.

Asked at what point he would consider the settlement to have failed or succeeded, Mr. Smith said: "Our intention is to succeed by December 31."

The Prime Minister, who was addressing a televised news conference, said he expected the detailed constitution to be ready within a few weeks. It would then be put to the white electorate at a referendum in September or October.

The Prime Minister refused to speculate on what would happen should the settlement be rejected at the referendum by the white voters. He described such suggestions as "negative, defeatist thinking."

He was particularly hostile to the Anglo-American idea of a new all-party conference embracing the guerrilla Patriotic Front of Mr. Joshua Nkomo and Mr. Robert Mugabe. It would be disastrous under present circumstances to go to such a conference, he said, adding that attendance at such a meeting would be tantamount to a handover politically to the Patriotic Front as well as a handover to them of the security situation. It meant the dissolution of the existing security forces and "letting the Patriotic Front terrorists take over." Mr. Smith said it was madness to believe in that sort of thing.

He rejected criticism of the slowness with which racial discrimination was being tackled, saying that this was a complex issue and if racial legislation were to be repealed overnight it would do far more harm to blacks than to whites.

There is scepticism in political quarters here about Mr. Smith's warning to the black coalition members and his implied threat to cancel the whole deal unless they are more successful in achieving a ceasefire. His comments are seen as designed to boost flagging white morale, and to help his candidate in a by-election on Friday, as well as a genuine reflection of white irritation with Mr. Ndabaningi Sithole and Bishop Abel Muzorewa.

These two nationalist leaders have repeatedly promised to defuse the war, and white anger at Bishop Muzorewa increased last week when his party said Mr. Smith must recall the security forces as well as calling on the nationalist guerrillas to come home in peace.

Sources here do not believe that there can be any going back on the internal agreement unless it takes the form of the all-party conference. They believe that there will be elections even if there is no ceasefire but that Mr. Smith has given notice to his black partners in the coalition to increase their efforts to end the fighting.

Nigerian ministers to quit

BY MARTIN DICKSON

LAGOS, July 18.

FOUR NIGERIAN Federal Government Ministers, including Brigadier Joseph Garba, Commissioner for External Affairs, and Colonel Muhammed Buhari, Commissioner for Petroleum Resources, are to resign their portfolios this month as part of the Military Government's programme for a return to civilian rule in October next year.

General Olusegan Obasanjo, Nigeria's Head of State, announced last week that some of the seven Federal Commissioners (Ministers) who belong to the armed forces will be redeployed on purely military duties by July 24. Those who *remained Commissioners until* civilian rule would then have to retire from the armed forces.

The Government has now announced that the four Ministers are returning to military duties this month. Brig. Garba, Col. Buhari, Col. Muhammed Magoro, the Commissioner for Transport, and Col. Amadu Ali, the Commissioner for Education.

Three military Commissioners will retain their portfolios until civilian rule: Major General James Oluleye, Commissioner of Finance, Maj.-General Henry Adefope, Commissioner of Labour, and Maj-General Muhammed Shuwa, Commissioner of Trade.

The changes, together with the replacement of military governors in Nigeria's 19 states by interim military administrators are a significant pointer to *the Government's determination* that next year's handover to civilian rule should take place as smoothly as possible and that the military should clearly be seen to be stepping back from political involvement.

ASEAN worried by yen debts

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, July 18.

APPRECIATION OF the Japanese yen against the dollar by 45 per cent over the past year and by 80 per cent since August 1971 is starting to pose problems for the repayment by developing countries of yen-denominated Japanese government loans.

So far the Foreign Ministry has received no official representations, but it is admitted that the issue has cropped up informally in discussions with member countries of the Association of South-East Asian Nations. (ASEAN).

ASEAN members are said to be worried that further appreciation of the yen might seriously increase the repayment burden in dollar terms on the projected series of Japanese loans for the so-called ASEAN projects (a series of five major plants to be located one in each member country with guaranteed access to the markets of the others).

The outstanding balance of yen-denominated Government loans to developing nations was Y1,458.2bn at the end of March. Of this, nearly Y500bn was contracted before August, 1971 (when the yen began floating up from the previous fixed rate of one dollar to Y360). The value of pre-1971 loans at the original rate of exchange would have been approximately $1.39bn but is now closer to $2.5bn as a result of yen revaluation and dollar devaluation.

During the 1977 fiscal year (ending last March) repayments of yen-denominated loans to Japan by developing countries totalled Y37.1bn, with most of the repayments corresponding to pre-1971 loan commitments.

The problem of what to do about repayments on yen-denominated loans is expected to attract growing attention during the next few months as Japan tries to decide how to honour its undertaking to the trade development board of the UN Conference on Trade and Development (UNCTAD) to provide a measure of relief on existing loan repayment obligations. Japan, like other aid-giving countries, has promised to make a relief offer in time for the opening of the next main UNCTAD conference in Manila next May.

Zaire may end dispute with Angola at summit

African leaders, assembled in Khartoum for the opening yesterday of their 15th summit, are faced with the divisive issue of the role of French and Cuban forces on their continent, reports Reuter. But a spirit more fitting for the Organisation of African Unity (OAU) may emerge with the possible reconciliation between Zaire and Angola, at odds since the civil war which followed Angolan independence from Portugal.

Zaire and Angola have announced agreement on reopening the Benguela railway which carried copper from Zambia and Zaire to the Atlantic port of Lobito in Angola until it was closed in 1975. The Presidents of both countries are in Khartoum for the summit and the OAU is to set up a commission to supervise a return to normal relations between the two neighbours and the repair and reopening of the railway.

African leaders at the summit will also deal with the war in the former Spanish Sahara in which Algerian- and Libyan-backed Polisario guerrillas are fighting for independence against the Moroccan and Mauritanian armies, backed by French Jaguar jets. They will also consider a claim for recognition from a movement aiming to make the Canary Islands *independent of Spain.*

Sudan oil shortage

Petrol rationing has been introduced in Khartoum following a severe fuel shortage, writes our Sudan correspondent. The shortage is believed to be due to a cut-off of supply of crude by Iraq, Sudan's main supplier, pending settlement by Sudan of bills for earlier supplies.

Mandela still held

Black nationalist Nelson Mandela marked his 60th birthday yesterday with 15 years of prison behind him and no knowledge of whether he will ever be released, Reuter reports from Johannesburg. He is serving a life sentence in Robben Island prison off Cape Town for plotting sabotage and violent revolution. Normally prisoners are released after 15 years, but this is not the case with political crimes.

Iran helicopters

The Soviet Union claimed yesterday that an Iranian Army helicopter, shot down with the loss of its crew over Soviet territory last month, had ignored warnings to land from fighter aircraft, Reuter reports from Moscow. The Russians said four helicopters *with Iranian Army markings* were intercepted after crossing the border. Iran claimed earlier that only two helicopters, unarmed and on a training flight, strayed over the Soviet border in fog. One was destroyed and the other damaged and forced to land.

Soviet naval move

The United States believes the Soviet Union may deploy one of its two aircraft carriers in the Pacific for the first time, a senior Japanese defence official told Reuter in Tokyo. Defence Minister Shin Kanemaru, during a recent visit to Washington, was told that the 40,000-ton Kiev or its sister ship, the Minsk, now undergoing sea trials in the Black Sea, may join the 753-ship Soviet Pacific fleet. A Soviet carrier in the Pacific could have a bearing on the growing conflict between China and Vietnam.

Japan nuclear ship

Despite threats of violent protests, the Japanese Government will go ahead with plans to move its controversial nuclear-powered ship Mutsu to Southern Japan for lengthy repairs, Reuter reports from Tokyo. The 8,214-ton ship, laid up since a radiation leak marred its maiden voyage in 1974, will move to Sasebo near Nagasaki *in October. The ship,* with its faulty nuclear reactor intact, will undergo repairs for three years in a shipyard which is in financial difficulty and needs the contract, a Government spokesman said.

Indian flood havoc

Major rivers of the Northern Indian state of Uttar Pradesh have flooded hundreds of villages in the past week, affecting more than 1m people and claiming at least 20 lives, Reuter reports from New Delhi. In Deoria district 17 people have been killed, most washed away by the swirling waters or buried under collapsing houses.

Delhi gold sales

The Indian Government is considering a scheme to supplement its fortnightly gold auctions with direct sales of gold to goldsmiths, Reuter reports from New Delhi. Finance Minister H. M. Patel told Parliament that the gold auction policy was basically sound and called for no radical revision. The object had not been to reduce gold prices but to discourage large-scale smuggling.

OVERSEAS CHINESE

The flight from Vietnam

BY JOHN HOFFMAN IN PEKING

FROM A SHORT distance away, the narrow fishermen's harbour at Peihai resembles a corner of Hong Kong's Aberdeen—jammed with a motley of flimsy canopied boats swarming like cells on a microscope slide.

From a little closer you see that this is no Aberdeen, with its floating restaurants, tourists and crafty oarsmen for hire at rather more than the journey is worth. At Peihai there is none of Hong Kong's commercial gloss—the boat people here have the seriousness of those who have recently experienced poverty, inequity and the indignities of racist victimisation.

Peihai is a fishing and cargo centre in Kwangsi province, built at the tip of a promontory which dangles into the Gulf of Tonkin not far from the coast of Vietnam.

The town is a refuge for 10,000 fisherfolk whose families had lived and fished for generations among Vietnam's offshore islands, hundreds of kilometres to the south. Since last March more than 1,250 of their tiny boats have been crowding into Peihai harbour, their owners pouring out stories of extortion, deprivation and humiliation at the hands of Vietnamese officials.

These are "overseas Chinese," some *of the 1.5m who have made* their homes in Vietnam and some of the 150,000 who have fled or been forced back to China in the past four months. Their offence, they say, was their being Chinese, and their punishment expulsion. The unacceptable alternative was to renounce their Chinese nationality, with no guarantee that this would ensure their security in their adopted homeland.

They talk readily about their experiences in Vietnam. Foreign journalists who have been allowed to visit the border have had free access to the refugees, interviewing a number of new arrivals before Chinese officials had talked with them. "See for yourself" was the Chinese response to scepticis mabout their stories. The refugees' information is convincing evidence of a determined campaign by Vietnam to rid itself of all things Chinese.

Most of the refugee fishing families had sailed their boats 290 km (about 180 miles) from Ji Po Island, a community once shared peacebly with Vietnamese fishermen, living according to Vietnamese custom, selling their fish in a Vietnamese market.

They wanted to stay in that familiar environment but as the *anti-Chinese campaign developed,* the living became precarious and then impossible.

The fishermen told of increasing pressure from Vietnamese officials to adopt Vietnamese nationality. To most this would have been an unthinkable betrayal of their ancestry. So the harassment began, at first subtly.

The Chinese fishermen found their monthly grain rations reduced, and the grain they received was rotten. *When they* brought their fish ashore the state extracted an arbitrary "quota" which left them no food for their families.

They were forced to observe especially harsh maritime regulations, their fishing nets were exorbitantly taxed and they were heavily penalised for trivial infringements. Some had their boats confiscated.

Quarrels broke out as the Chinese fishermen saw their Vietnamese neighbours untouched by such measures. When they fought and sought arbitration the Vietnamese *officials invariably found* in favour of the Vietnamese.

In the past many Chinese nationals at Ji Po had earned local official rank or become members of the Vietnamese Workers Party. Even these were tormented, fired from their positions and deprived of food.

Frustration became desperation and the Chinese boats began to leave Ji Po, first in a trickle and then in scores each day to make the ten-day voyage to Peihai.

Han Ke is vice-chairman of the Peihai Revolutionary Committee—a sort of town boss. He is thin, balding and greets *foreigners in half-a-dozen* languages.

Han's job is to oversee the task of accommodating a refugee influx which has suddenly added 30 per cent to the size of Peihai's fishing fleet. He is enthusiastic about China's plans for the future of the refugees.

The town supplies some of their food, says Han, and those with serviceable boats have joined the local fishing fleet already, feeding themselves and *selling their surplus catch to the* State.

As some of their boats are old and unsuitable for the Peihai style of fishing, the town's work teams will start building new ones—100 of them at A$100,000 each, and 100 smaller craft for inshore work. Peihai will also have a new $20m fishing boat harbour, paid for by Peking, to shelter its new fleet.

Blocks of flats are going up in the town to house the refugees.

Meanwhile, in Canton, there is a gracious structure in a lush garden which housed the Vietnamese consulate general until a month ago, when China ordered Vietnamese diplomats out of Canton, Nanning and Kunming. The building stands empty and the Chinese government has no immediate plans to use it, so it remains a symbol of China's exasperated response to Vietnam's treatment of the overseas Chinese. China has also cancelled its aid projects in Vietnam, said to have been worth about $300m a year.

Yang Ting Ting, a refugee schoolteacher, may be quietly satisfied about the justice of the dissolution of Sino-Vietnamese relations.

In 1964, says Yang, an ex-high school teacher in Hanoi, Vietnam made its first moves to "nationalise" the Chinese residents. School classes in Chinese history and geography were banned and Chinese language lessons limited to two or three a week.

By 1967, Chinese language signs were disappearing from the streets of Hanoi and Haiphong. Publicity for Chinese aid projects also disappeared, but Russian contributions were frequently and warmly mentioned.

Since 1970 no Chinese nationals had been allowed to apply for admission to Vietnamese universities said Yang. In 1974 he had passed with distinction an examination for chemistry teachers but was not allowed to teach, being given odd jobs in the education department instead. His Chinese wife, a mathematics teacher, was sacked when she refused to urge young Chinese to change their nationality.

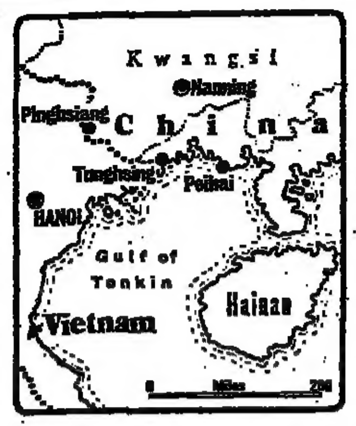
Some 250 kms (about 156 miles) from Nanning, the capital of Kwangsi Province is Tunghsing, where more than 84,000 refugees have crossed the Peilin River into China in the past four months. Barbed wire now seals off the Vietnamese riverbank where cross-border friends used to meet, and the "Peace and Friendship" bridge is the only way across the border. Once Chinese trucks rumbled southwards over the bridge carrying supplies and military aid to Vietnam, but now the only traffic is refugees moving in the opposite direction.

Many refugees at Tunghsing told of attempts to compel them to take Vietnamese citizenship, of dismissal from their jobs, of their sons being drafted into the Vietnamese army and sent, they think, to the Cambodian front, of reduced food rations and increased taxes, and seizure of their crops and bank accounts.

Further west, at Pinghsiang, 17,000 refugees have walked across the border after reaching the rail terminus 10 kms inside Vietnam.

When the tide will go down is a matter of nebulous speculation. But a Chinese official in Nanning gave a blunt hint that it might be a long time away. "The Vietnamese policy is that no overseas Chinese who wishes to retain Chinese nationality will be allowed to remain in Vietnam," he said.

CHINA ALLEGED yesterday that authorities in Vietnam are forcing large numbers of ethnic Chinese to storm border check-points to return to their homeland, Reuter reports from Hong Kong. The New China News Agency said that Vietnamese authorities were deliberately trying to wreck the Sino-Vietnamese border control accord by directing "their personnel at the grass roots to go on driving to the border victimised Chinese who have not gone through the formalities for return to China." More than 150,000 ethnic Chinese had now been expelled by Vietnam, the agency said.



AMERICAN NEWS

NY state likely to legislate on foreign banks

BY STEWART FLEMING NEW YORK, July 18.

NEW YORK State legislators are expected to rush through a bill which would make it more difficult for foreign banks to acquire state-based commercial banks.

Miss Muriel Siebert, the state's Banking Superintendent, said today that the legislation has been introduced into the New York State Assembly. The law would, among other things, require advance approval by the state banking authorities for the acquisition of a 10 per cent or more stake in a New York state chartered bank. At present, approval is needed for a stake acquired through voted shares.

Miss Siebert said that the new law, which is supported by Governor Hugh Carey and is widely expected to be passed rapidly through the State Assembly, was in part inspired by the wave of foreign takeovers of New York state banks. This year the Hongkong and Shanghai Bank has announced that it is seeking 51 per cent of the shares of Marine Midland Bank, one of the largest banks in the state and the 13th largest bank in the U.S. National Westminster Bank is seeking 75 per cent of the shares of the National Bank of North America. In addition, five Arab businessmen associated with Mr. Bert Lance would take control of two small New York banks as a result of acquiring 25 per cent of the equity of the Financial General Bank, a Washington-based bank holding company.

Financial General owns 67 per cent of the equity of the Bank of Commerce in New York and 33 per cent of the Community State Bank in Albany. So far none of these foreign banks or foreign-controlled interests has applied formally for New York State Banking Department approval for their proposals, although informal discussions have taken place in some cases.

The Banking Department says that the only application pending is by a Venezuelan businessman, Sr. Jose Alvarez-Stelling, who is president of Banco Del Centro Consolidado CA of Caracas.

The state banking authorities are concerned that, as the law stands, a single bank holding company can be acquired without prior approval. Approval is needed when the acquired shares are voted for, but by that time the acquisition of a controlling stake might appear to be a fait accompli and difficult to reverse. At present, prior approval is needed to become a bank holding company. Such companies own 10 per cent or more of at least two banks.

Thus an organisation (or individual) such as a foreign bank which owns no banks in New York can legally acquire 10 per cent or more of the shares of a New York bank without prior approval. State banking authorities say that the moves by the Hongkong and Shanghai and the National Westminster will come under the jurisdiction of the new law, if it is passed.

These acquisitions already come under federal banking laws, requiring prior approval from the Federal Reserve Board. In the case of the federal law, acquisition requires approval if it is made by a corporate entity but not if it is made by an individual.

The New York state grants approval on acquisition when it is satisfied on such factors as the transaction's impact on competition, the public interest and the effect on creditors and depositors.

U.S. money policy, Page 20

Treasury gold auction results

WASHINGTON, July 18.

THE GENERAL Services Administration said today there were 32 bidders at the gold sale it was holding for the Treasury.

This was the same number of bidders as at the last auction. For sale were 300,000 ounces of gold.

The cut-off price at the auction today was $185.05 an ounce, an unofficial Reuters compilation showed.

When the bids opened, the Bank of Oman was one of the big bidders. It offered to purchase 100,000 ounces at $185.06 an ounce and another 100,000 ounces at $185.02 an ounce.

The other bidders appeared to be the same group of gold dealers and banks which has participated in previous Treasury sales.

The gold from official U.S. reserves is being sold for dollars, and deliveries will be made later in New York.

Samuel Montague and Co. of London offered between $184 and $183.20 per ounce for a total of 10,000 ounces.

Swiss Bank Corporation of Zurich bid for 128,000 ounces at prices ranging from $184.57 to $185.07 per ounce.

The highest bid opened so far was from Adashi Gold Co. of New York, which bid $189 an ounce for 4,000 ounces.

Agencies

Searching for El Dorado in the Amazon

BY DIANA SMITH, OUR BRAZIL CORRESPONDENT

THE 4.9m square miles of the Amazon basin, covering 32 per cent of South America and sprawling over eight countries, have dwelt on the fringe of history and in the dreams of seekers of El Dorado for centuries.

Its dense rain forests provide 25 per cent of the earth's oxygen. Its 31,000-mile network of waterways, dominated by the 3,600 mile long Amazon River, yields one-fifth of the world's fresh water (the largest fresh water system on the planet). Its subsoil harbours diamonds, gold, iron ore, manganese, bauxite, nickel, copper, cassiterite, tungsten and other important minerals.

Early explorers and naturalists have been followed by miners, rubber barons, timber merchants, missionaries, industrialists and scientists, trying to penetrate and tame jungles where the sun has never intruded.

Foreigners were quicker to try to exploit the Amazon's wealth than the states officially controlling it. They moved up river, into the jungle, and deliberately or accidentally (through exposing them to white men's diseases) decimated the Indian tribes that had inhabited the Amazon for thousands of years.

The first boom occurred in the 19th century, when the Amazon's latex trees supplied all of the world's rubber. After an Englishman had smuggled out the seeds, planted them in Kew Gardens and subsequently shipped the saplings to Ceylon (where they prospered and spread to Malaya) the boom burst. Thriving "rubber cities" like Manaus, 900 miles up river from the Atlantic estuary, have crumbled. Today, however, Manaus has revived, as a wide-open free port and smugglers' paradise.

Technologically backward by comparison to the United States, first Brazil then other countries in the area entrusted U.S. companies with the task of making geological surveys of the Amazon from the air. In 1965, when a Brazilian team of geologists hacked its way through the Para jungle, in search of minerals, it walked over the Carajas iron ore reserves (estimated at 18bn tonnes), dismissing them as calcareous rock. Shortly afterwards Union Carbide, then U.S. Steel, using expert surveys, discovered the reserves. Since 1971, Brazil's mining authorities have issued 14,000 prospecting rights—more than half to foreign companies, and only a small fraction for active prospecting.

This has led to repeated accusations that foreign interests are sitting on prospecting rights, warding off competition, with little intention of working them until the situation is fully in their favour.

Oil has been discovered in the Amazon region—in Ecuador, Peru and Brazil, as well as abundant natural gas in Bolivia. In Brazil, vast Amazon farming, ranching and pulp projects controlled by the U.S. multimillionaire Daniel K. Ludwig, who makes sure his holdings are guarded from outside intrusion, have cut into the Para area. The fact that the Amazon soil has not proved to be as fertile as originally assumed now provides a form of natural brake on similar projects. This, ecologists feel, is all to the good.

Devastation of Amazon forests has proceeded apace, nevertheless. By 1974, 24 per cent of forestry reserves had been cleared—reducing the wooded area from 2.2m to 1.68m square miles. In 1975 alone, 62,500 square miles were cleared—a

rate which, were is pursued, would lead to the death of all Brazil's forests by 2005.

Many Brazilian officials have expressed resentment at international criticism of Amazon clearances. President Ernesto Geisel has suggested that these are "not based on scientific fact." Nevertheless, Brazil need not look far to understand the disastrous effects of massive deforestation. Clearances of southern forests in Parana in recent years, for large-scale coffee and soya planting, have led to prolonged droughts and shrinking rivers with calamitous economic effects.

Finally, after first accepting the notion of the Amazon as a hostile untouchable wilderness, then letting others lay hands on its resources, the eight Amazon nations—Brazil, Venezuela, Peru, Colombia, Ecuador, Bolivia, Surinam and Guyana—came to terms with their territorial responsibilities. At Brazilian instigation they have drawn up a pact for the "harmonious development of each country's Amazon territory, so that joint actions may promote equitable and mutually advantageous results, as well as the conservation of the environment and rational use of the natural resources of these territories."

Specifically, the pact concluded on July 3, 1968, calls for the exchange of scientific information, of recommendations for rational use of waterways, for wide freedom of shipping with emphasis on trade, co-ordination of local health services and frontier trade, efforts to promote tourism, and conservation of the flora, fauna and water resources of the area.

The pact was negotiated within one year, remarkably rapid for a joint enterprise in South America where rivalries and mutual suspicion tend to take the edge off searches for common ground. Nevertheless, before the others would accept Brazil's initiative, it had to drop its suggestion that "physical integration" of the Amazon be the linchpin, and replace it by "physical co-operation."

Several bilateral agreements already exist between Brazil and its Amazon neighbours—but the stress laid in the pact on conservation of the environment is a new departure. If properly applied, it could produce short and long-range benefits, for the signatories and for the ecology of the world.

Its new spirit of broad South American co-operation has already produced a vital side-effect for Bolivia: Brazil has agreed to clear navigation channels through its territory so that Bolivia can fulfil its long-standing aspiration for access to the sea—the Atlantic. Chile blocks Bolivian access to the Pacific.

The pact also offers the possibility of a common front against what South Americans call "threats of internationalisation of the Amazon."

The threat first came in the 19th century, when the U.S., Britain and France called for internationalisation of the Amazon. Today, each Amazon country interprets it differently—economically or ecologically.

If the pact is applied conscientiously, it could stop outside exploitation of the Amazon's resources, while accepting technological advice that would help preserve the bulk of its wealth. It is obviously too soon to tell whether "harmonious, rational development" will be interpreted as joint approval only of projects that make use of some Amazon resources without depredation of others.

New Peruvian Cabinet to have civilian majority

BY NICHOLAS ASHESHOV LIMA, July 18.

CIVILIANS are to get about ten of the 16 portfolios in a new Cabinet being put together by General Francisco Morales Bermúdez, the Peruvian president. The constituent assembly which was elected on June 18 is to be inaugurated on July 28 when it will begin its task of drawing up a new constitution to return the government to civilian hands.

The official winners of the June 18 elections for the delegates to the 100-seat constituent assembly are the middle-of-the-road APRA party (led by the octogenarian Sr. Victor Raul Haya de la Torre), 37 seats; the right-wing People's Christian Party (PPC) led by Sr. Luis Bedoya Reyes, 25 seats; the FOCEP, a Maoist-Trotskyite alliance led by Srs. Genaro Ledesma and Hugo Blanco, 12 seats; the Communist Party, six seats; the Revolutionary Socialist Party (PSR) led by retired General Leonidas Rodriguez, six seats; and the Popular Democratic Union (UDP), a left-wing trades union group, four seats. Smaller parties won the other ten.

Although the Centre and right-wing parties form a convincing majority, the Communists and far-Left groups won 30 per cent of the seats. This is by no means a solid block, however (nor is the Centre and Right, for that matter) and there is considerable uncertainty about the direction which the assembly, the first sovereign civilian body in Peru for ten years of military rule, will take.

At the same time, negotiations are under way in Lima for the signing of a new stand-by credit arrangement with the International Monetary Fund. Signature of the letter of intent is expected about July 25, and this will signal an even tighter programme of fiscal austerity, sharply reduced private liquidity and other recessionary measures. Interest rates will be put up by 12 per cent on August 1 to an average of 30 per cent per annum, and the rate of mini-devaluations will be doubled.

Debt repayment deferral

BY DAVID LASCELLES NEW YORK, July 18.

PERU IS expected to sign an agreement here tomorrow to defer payment for six months on part of its massive debt to foreign banks. The agreement, which was tentatively reached last month, is part of the effort by Peru to stave off a balance of payments crisis which stems from this debt, which the Lima Government now estimates to be $8.27bn.

Manufacturers Hanover Trust, the U.S. bank which leads the steering committee of 170 foreign banks which are Peru's creditors, confirmed that the signing would take place at that bank, but declined to give details. A full announcement would be made tomorrow, he said.

However, Sr Fernando Reus, director of public credit at the Peruvian Economy Ministry, was quoted here today as saying that the agreement would defer till the end of the year payment of $185m, representing principal and amortisation on outstanding loans. In addition, Sr Reus said, Peru would repay $306m worth of short-term debts this year, including $121m in amortisations.

But, although this latest agreement will give Peru a useful breathing space until the end of the year, it does not provide the long-term debt restructuring which it is seeking from its foreign creditors. According to banking sources here, this is still dependent on Peru coming to an agreement with the International Monetary Fund on measures to reform the economy.

The steering committee is understood to have favoured the short-term roll-over to enable these talks to continue under less pressure.

Light thrown on Ford president's resignation

BY JOHN WYLES NEW YORK, July 18.

A SENIOR Ford Motor Company executive yesterday threw further light on the departure of Mr. Lee Iacocca from the presidency of the second biggest car producer in the U.S.

Mr. Iacocca resigned last Thursday under pressure from Mr. Henry Ford II, the company chairman, after nearly nine years in what was until recently the second most important job in the company.

One of the men tipped as a possible successor, Mr. William Bourke, who is executive vice-president of Ford's North American automotive operations, admitted yesterday that Mr. Iacocca's departure was not totally unexpected.

Doubts about Mr. Iacocca's future were raised in April when Mr. Ford announced a re-organisation of top management. This effectively demoted the company president at the expense of Mr. Philip Caldwell, who was appointed to the new post of vice-chairman, and to whom Mr. Iacocca was to report.

According to authoritative reports here, a coalition of outside directors and Ford dealers rallied to Mr. Iacocca's defence and Mr. Ford was asked to cancel the re-organisation. Mr. Ford responded by warning that he would resign unless his decision was accepted.

A short truce was then apparently declared. But, while Mr. Ford was in Asia on business in May, Mr. Iacocca is said to have had meetings with outside directors. Mr. Ford saw this as a challenge to his authority. The climax came last Thursday afternoon when Mr. Ford asked for the president's resignation.

This is supposed to become effective on October 15, but Mr. Bourke indicated yesterday that Mr. Iacocca had already been shorn of most of his responsibilities. Among other things, the three executive vice-presidents who report to Mr. Iacocca have now been told to report to Mr. Caldwell.

Mr. Bourke denied that any specific issue had created the rift which led to Mr. Iacocca's resignation.

Men and Matters, Page 20

Japanese surplus with US doubled in first six months

BY ROBERT WOOD

TOKYO, July 18.

JAPAN'S trade surplus with the U.S. roughly doubled in the first six months of this year while its surplus with the EEC was stable and that with the UK declined, customs clearance figures from the Japanese Ministry of Finance showed today.

Customs clearance figures understate the size of Japan's trade surpluses because they include freight, insurance, and related charges in the prices of imports, but not in exports.

Nonetheless, the figures indicate that Japan ran an export surplus with the U.S. of $5.28bn for the first six months of the year, compared with $2.3bn in the comparable period last year. The surplus with the EEC was $2.1bn, while the surplus with the UK declined from $456m to $391m.

The Japanese customs clearance surplus on global trade increased dramatically, from $2.3bn to $8.6bn. Exports increased 22 per cent in dollar terms

Other than the U.S., the biggest losers were the developing countries of south and east Asia, which moved from nearly balanced trade to a deficit of $2.5bn.

Britain delivered one of the best national trade performances listed by the Japanese Government. Exports from Japan were up only 12 per cent in dollar terms, while exports from Britain rose 40 per cent. But Britain was starting from a position of extremely unbalanced trade.

Britain and other European countries were well ahead of the U.S. in demanding that Japan should reduce its trade surplus with them. The U.S. began strongly to demand lower surpluses only last autumn.

The increase in the Japanese trade surplus with the U.S. arose largely out of sluggishness in Japan's agricultural imports and the rapid increase in U.S. sales of all types of Japanese machinery (including cars).

UK must export high technology

BY LORNE BARLING

BRITISH COMPANIES involved in overseas projects must concentrate on higher technology contracts if they are to remain competitive with both industrialised and developing countries, the British Overseas Projects Board warned yesterday.

The board said there should be more involvement in management contracting and package deals which may embrace funding, financial involvement, or participation in equity or bilateral trade.

According to the board's annual report, published yesterday, the British project industry won new business in 1976 valued at about £3bn of which the UK content was estimated at around £2bn.

"It is a field in which international competition is fierce and concerted effort is required to maintain or improve on the UK level of success done throughout the world now and in the future," the report said.

There were considerable advantages British industry enjoyed in its technology, technical skills, experienced management and its reputation for quality work. These were particularly important in the process engineering sector.

UK construction companies also had technical skills which were superior to those of many foreign contractors, and the railway supply industry and power generation sectors were well qualified to succeed abroad.

"The technology and expertise of the nationalised industries is available to help the export effort, through the consultancy arms of the individual industries, often working in conjunction with private sector companies," it said.

The best markets for overseas projects are still seen as the richer developing countries and although the pace of development in many has been slowing down there are expected to be continuing opportunities for all the main industrial sectors.

The performance of British consultants overseas is regarded as highly satisfactory, with earnings increasing from £33m in 1969 to £350m last year, according to estimates.

The Overseas Projects Board was set up by the British Overseas Trade Board to be a focal point for industry and Government to consult on problems and matters of interest arising from project business.

Manila threat to exports

MANILA, July 18.

THE PHILIPPINES is considering retaliatory action against Britain for taking a stand against the country's move to revise its garment trade agreement with the EEC, a Trade Ministry spokesman said today.

Deputy Trade Minister, Mr. Vicentre Valdepenas has recommended the suspension of four multi-million dollar orders with British companies.

The Philippines signed a $150m a year garment trade agreement with the EEC in 1977. In talks with the EEC last month, Manila requested two revisions in the five-year agreement worth about 1m dollars more to the Philippines annually, the spokesman said.

Although the other EEC member countries did not oppose the request, Britain expressed opposition.

The British action resulted in failure of the EEC to grant the Philippine request.

The contracts threatened with a freeze or cancellation include a $10m aircraft spare parts order from Philippine Airlines and a sugar refinery project for the Cagayan Sugar Corporation estimated to be worth $20m.

The other two contracts are for a dredging equipment order from the Philippine ports authority and an order for a power distribution grid by the national power corporation.

Reuter

Toshiba to market new system for computers

By Robert Wood

TOKYO, July 18.

TOSHIBA HAS announced what it says is the first commercial marketing of an electron-beam *exposure system adequate for* production of very large-scale integrations (VLSIs), the core of future large-scale computers.

VLSIs will be wafers about four inches square with at least 64,000 "bits"—the equivalent of transistors. They are expected to revolutionise the computer industry in the 1980s by permitting the construction of computers up to 100 times more powerful than today's at no higher cost. But they rqeuire the drawing of lines only one micron (1-1,000th of a millimetre) wide. The thinnest lines that can be drawn with conventional equipment, which uses light to draw lines, are about 2½ microns wide. The electron beam exposure system uses beams of electrons to draw lines, and can achieve the required one micron thickness, according to Toshiba.

The new system is one of the first commercial fruits of Japan's heavily government-subsidised race to beat IBM in VLSI technology. All Japan's major computer makers participate in the government-financed VLSI Technology Research Association, each dispatching engineers to it and sharing its discoveries.

Engineers working with the Association designed an experimental machine very similar to the one Toshiba is about to commercialise, and had Toshiba build it to their specifications. Its completion was announced in March. Toshiba's production will draw on experience in producing the experimental machine.

IBM has a VLSI reseach project believed to be larger than Japan's but little of its progress is made public.

Toshiba had been one of Japan's four major computer manufacturers, but it largely withdrew from making large-scale computers early this year. The company remains aggressively involved in production of semiconductors and other computer-related devices, however.

A Toshiba official said a number of problems in VLSI manufacturing technology remain. Thus the new electron-beam exposure system will be largely used for drawing the "masks"—basic patterns which function in semiconductor manufacturing much like photo negatives—for *production of ordinary large-*scale integrations. Its main advantage in this is sneed. It can draw the pattern for a four kilobit memory in only seven minutes, while ordinary machines using light to draw lines require about two hours, a company official said.

The machine will cost about Y400m ($2m). Toshiba estimates global demand for similar equipment will be about 100 units, and Toshiba will capture a share of about 30 per cent.

Algeria sells gas to Europe

By Our Own Correspondent

AMSTERDAM, July 18.

SONATRACH, the Algerian State energy company, hopes to sell additional quantities of liquefied natural gas (LNG) to Western Europe now that a planned deal with the U.S. has apparently fallen through, the national Dutch gas distribution company, Gasunie, said in Assen today. According to the company, Algeria is looking to export 20bn cubic metres of LNG annually for around 20 years.

A spokesman said that it was understood that the U.S. authorities had not approved the import transaction, but he did not know on what grounds. He said Holland was now negotiating with Sonatrach, along with gas distribution companies in Austria, Germany, France and Italy. Gasunie, in which the *Dutch State has* a 50 per cent stake with Shell and Esso each holding 25 per cent. of the shares, said it was negotiating to buy 1 or 2bn cubic metres of Algerian LNG per annum

The Dutch gas distributor has already contracted to purchase annually 4bn cubic metres for 20 years from 1984-85 from Sonatrach. But, as part of its and the Dutch Government's policy of conserving the large Groningen gas deposits as much as possible, it was having further talks with gas suppliers in countries ranging from Norway (which is already supplying gas to Holland) to the Soviet Union and Middle Eastern countries.

French yarn attacked

The U.S. Treasury says nylon yarn from France is being sold in the U.S. at less than fair value, reports AP-DJ from Washington.

The Treasury says it is withholding appraisement on imports of this product from France for three months, and the case is being referred to the U.S. International Trade Commission.

Imports of nylon yarn from France were valued at about $2.9m during calendar 1977.

GKN in Iraq contract

GKN Contractors, in a joint venture with Ross Poultry, has won a contract from the Republic of Iraq worth £21.5m for the design, supply, construction and commissioning of three poultry slaughterhouses for the Ministry of Agriculure and Agrarian Reform.

The slaughterhouses will be among the largest and most modern in the Middle East. GKN Contractors will act as main contractor and Ross Poultry, through Imperial Foods International Technical Services, will provide the process expertise.

Swedish experiment cuts papermaking energy costs

BY WILLIAM DULLFORCE

STOCKHOLM, July 18

SWEDEN'S PULP and paper mills could reduce their energy consumption substantially, in some cases to almost half the present level, by making use of the latest techniques available. This has been demonstrated in model tests carried out for the Swedish Pulp and Paper Mills' Association by the Boilermakers' Association.

The mills consume more energy than any other Swedish industry and their high energy costs are an important pricing factor. The results of the three-year trials are, therefore, significant both for the mills' competitiveness on foreign markets and Sweden's future energy programme. They could also interest foreign pulp and paper manufacturers.

The tests have covered six types of manufacturing, including a bleached sulphate pulp mill producing for export, an integrated kraftliner mill, a newsprint plant and a non-integrated fine paper factory. The total energy consumption per tonne of product could be reduced in all instances. Oil consumption could be cut by half through increased and more effective burning of bark and improved residue recovery.

A market pulp mill could be designed so as to be practically self-sufficient as regards heat. Electricity consumption could also be reduced but to a smaller degree. Paper mills' electricity needs cannot be cut significantly but market pulp and kraftliner mills could be designed to obtain the larger part of their electricity requirements from their own back pressure plants.

However, Mr. Goeran Wohlfahrt, director of the Mills Association, points out that the encouraging results obtained from models cannot be applied without reservations to existing plants built at times when quite different circumstances prevailed regarding the supply and cost of energy, capital and other input factors. Moreover, at their present low profitability levels the mills could look only at investments which would give a quicker return on capital

When new plants are built or new units, such as a thermo-mechanical pulp plant, a new evaporation units or a new paper machine, are added to existing mills, the latest techniques could be *successfully applied.* For existing plants the financial conditions would have to be assessed individualy, as in most cases it would be expensive to change an old factory.

State financial support for energy saving measures could induce companies to invest in some of the new processess indicated in the model tests, Mr. Wohlfahrt commented. But a reduction in energy consumption per tonne of product did not imply any decrease in the industry's total energy needs.

The planned expansion in paper output and the move towards pulp with a higher wood content would leave total fuel requirements more or less unchanged in the 1980s. Oil consumption would fall, but the need for external electricity would rise substantially.

Importers in Greece face tight controls

By Our Own Correspondent

ATHENS, July 18.

BANKS HAVE been ordered not to allocate foreign exchange to Greek importers as advance payments against import documents, a move seen here as an effort by the government to curb imports which have soared in recent months.

Mr. George Panayotopoulos, the Minister of Commerce, who issued the order, said the measure was meant to normalise import procedures. He said some importers took as long as six months to bring in the goods for which they received a foreign exchange advance. The Association of Commercial Representatives and the Athens Traders' Association claim the measure imposes serious administrative obstacles on imports and weakens the bargaining position of Greek importers.

The measure is seen as a means to make import procedures more difficult in an indirect effort to curb imports which rose by 10 per cent to $2.92m in the first five months of this year,

LOMÉ TWO

Caribbean call for industrial aid

BY DAVID RENWICK IN PORT OF SPAIN,

THE EUROPEAN Economic Community will be told when preliminary discussions for an extension to the present Lome Convention open in Brussels at Ministerial level on July 24 that its partners in the African/Caribbean/Pacific (ACP) group want provisions in any new pact that will facilitate a rather more rapid growth of the industrialisation process in ACP countries than has been the case under Lome 1.

Certainly, the five independent Caricom members belonging to the Lome Convention (Trinidad and Tobago, Jamaica, Barbados, Guyana and Grenada) and the seven non-independent regional territories (St. Lucia, St. Vincent, Dominica, Belize, Antigua, St. Kitts-Nevis, Montserrat) will be pressing this view in the negotiations ahead.

This became clear during the week-long regional seminar for the Caribbean on the Lome Convention, hosted by the Trinidad and Tobago Government, which was held recently in Port of Spain.

It was pointed out to the EEC delegation led by Mr. Maurice Foley, deputy director-general of the development division, that a number of Caricom states had made strenuous attempts to diversify their economies away from dependence on one or more agricultural commodities towards the production of manufactured goods of one kind or another and the EEC was expected to provide positive assistance for this effort.

As one Trinidad and Tobago Government spokesman put it: "We in Caricom want to see the principle of industrial co-operation entrenched much more firmly in a new Lome Convention than was the case in Lome 1."

Representatives from both the regional public and private sectors stressed during the seminar that, far from aiding the movement towards industrial diversification in the Caribbean, African and Pacific states, Lome 1 in many respects actually retarded it.

A number of examples were quoted during the discussions but the one referred to with greatest indignation was the EEC definition system which effectively kept the lighter Caricom run (which manufacturers claim is the best of its kind in the world) out of the two largest EEC markets, Germany and France.

Rum is a genuine, 100 per cent local Caricom product but customs classification in Germany in particular does not accept rum from this part of the world as "rum" because it fails to satisfy arbitrary congeneric levels imposed by the authorities.

Mr. George Chambers, Trinidad and Tobago's Minister of Industry and Commerce, who opened the seminar, noted bitterly: "It is ironic in the extreme that the world's oldest producers of rum (the Caribbean states) are now being advised that they do not know what rum is. Yet this is what Europe, under the guise of Lome, has sought to do."

Rum apart, Trinidad and Tobago is perhaps most keen of all Caricom member territories to see industrial co-operation actively pursued in the next convention between the EEC and ACP states.

This is because the country has embarked on a multibillion dollar industrial development programme that will see, if all goes well, the establishment by 1984 of an iron and steel mill, at least two liquid ammonia plants, an aluminium smelter, a liquefied natural gas (LNG) plant, a methanol plant, a polyester fibre plant, a furfural plant and a number of petrochemical plants, not to mention several spin-off and downstream industries associated with the foregoing.

Taking the two ammonia plants alone (one of which, the Trinidad Nitrogen Company—TRINGEN—is already on stream), Trinidad and Tabogo will have a production capacity in liquid fertiliser of 1m metric tonnes by the early 1980s, virtually all of which would need to be marketed abroad.

"The nature of the industrialisation of which we are capable and to which we aspire, is manifestly more profound than earlier," Mr. Chambers explained to the EEC representatives.

As if tariff, definition and other barriers against manufactured goods which persisted during Lome 1 were not bad enough, the Caricom territories, and no doubt others in the ACP group, have found the workings of the Centre for Industrial Development in Brussels not to be altogether satisfactory.

The centre was specifically established under article 36 of the Lome Convention signed on February 28, 1975, but did not come into existence until the beginning of last year.

Its work so far was the subject of some close scrutiny by participants at the Port of Spain seminar, particularly those from the private sector.

They wanted to know, for example, why out of over 1,000 inquiries from ACP states for possible assistance in industrial matters, only 196 have been given serious consideration and only 40 so far completed. It was suggested that the centre might be too bureaucratic in its approach and a quicker response-system needed to be adopted.

Dr. Roger Theisen, the centre's director, who was in Port of Spain for the discussions, bravely defended his agency and pointed out that the centre did not itself have access to funds and could not invest in industry directly. Money would have to come from the European Development Fund or the European Investment Bank but the centre could act as a "marriage broker" and put investors on both sides in touch with each other.

So far, only about seven projects have been identified which could provide opportunities for possible industrial co-operation between Caricom and EEC investors. Because of its more extensive natural resource base and its superior economic prospects, however, a number of possibilities in Trinidad and Tobago are likely to be engaging the centre's attention in the future.

State airports show £24m pre-tax profit

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE BRITISH Airports Authority, which owns and runs seven of the U.K.'s main airports, including Heathrow and Gatwick, earned a pre-tax profit of £24.3m in the year to March 31, compared with £17.6m in the previous year, a rise of more than 38 per cent.

Net profit after tax amounted to £5.4m, against £1.9m, a rise of 184.2 per cent. The figures are calculated on the historic cost accounting basis. On a current cost accounting basis, however, the pre-tax profit would have been £7.3m, and the net result a loss of £11.6m.

The authority's annual report, issued yesterday, shows that profit was earned primarily on the "commercial" side of its business: the sale of concessions for shops and car parks, and sales of duty-free goods. These together earned profits of £33.7m.

But on the "operational" side, including landing fees and other more immediately related aviation activities, an income of £61.8m was offset by spending of £66m on new facilities, including terminals, resulting in a loss of £4.2m.

The results were achieved against a background of industrial disputes at Heathrow and elsewhere last year, which resulted in a rise of only 1.9 per cent in the volume of passenger traffic through the authority's airports.

Presenting the report yesterday, Mr. Norman Payne, chairman of the authority, made clear that the authority is concerned about the possible lack of adequate facilities in the mid to late 1980s, if traffic growth continues at present rates.

Even with a fourth passenger terminal at Heathrow, increasing its capacity from 30m passengers a year to 38m, further expansion of the South-East airports system would be needed.

"The Government's White Paper (on airport development) identified a second terminal at Gatwick (to increase that airport's capacity from 16m to 25m passengers a year) as the next stage of development," he said.

"If traffic demand is to be met, however, another major development will have to proceed almost simultaneously with Gatwick's second terminal."

The Government has agreed to the establishment of a new Airports Policy Advisory Council, on which all concerned with, or affected by, airports development will be represented.

The council is being formed and will meet in September.

The report says capital development programmes for the next five years will involve spending £243m (at March, 1978, prices), mostly in the South-east.

The figure includes £33m for the start of work on the fourth passenger terminal at Heathrow, provided the Government approves that development when the current public planning inquiry is completed.

At Gatwick, continued spending includes £20.4m for the new Northern pier and £9.2m for further developments to the passenger terminal.

Limited development at Stansted is also planned, costing £10m, but Mr. Payne emphasised that that did not yet involve expansion of the airport to take 4m passengers a year.

Airline seeks to cut fares by up to 40%

BY MICHAEL DONNE

BRITISH ISLAND AIRWAYS, a member of the British and Commonwealth Shipping Group, has asked the Civil Aviation Authority for permission to cut fares on its UK internal routes from October 1 by up to 40 per cent.

Mr. Peter Villa, managing director, said yesterday that for years passengers had put up with fares rises. "This is a genuine effort no our part to reduce fares and, let's be honest, to fill the empty seats."

The cuts, subject to approval, cover three main types of fare—the Discount 40 fare, senior citizens' fare, and family fares.

With Discount 40, passengers booking three days or less before date of outward travel will have a 40 per cent cut on the normal round-trip rate. Similar discounts will apply for those of pensionable age.

For family fares, one child (of over three and under 12 years) per parent or guardian will travel free when the adult is paying the full normal fare.

The effect will be that on Gatwick-Channel Isles routes, between November and March the normal return fare of £46.20 will be cut to £27.80. Between Blackpool and the Isle of Man it will be cut from £29.80 to £17.90 return.

For families of two adults and two children, the normal collective return fare of £138.80 between November and March will be cut to £92.40, and on the Blackpool-Isle of Man route from £89.60 to £59.60.

● Jetsave, the low-cost transatlantic travel company, said it is well on target to sell its entire 200,000 advanced booking charter seats to the U.S., the Caribbean and Canada this year.

More than 82 per cent of the company's planned capacity has been sold. Biggest demand has been on flights to the U.S., where the introduction of "Latesave" fares from as low at £95 return has been a contributory factor.

Victims of violence 'need more cash'

BY JAMES McDONALD

VICTIMS OF violent crime need more compensation in terms of cash and sympathy to help them overcome their suffering, according to an interim report by a committee headed by Lord Longford.

Lord Longford said yesterday that he saw no discrepancy between his fight to free Myra Hindley, one of the Moors murderers, and his battle for greater compensation for victims of crime. "I supported both sides in the Spanish Civil War."

The report recommends that a "Minister for Victims" be appointed and that a commission, similar to the Commission for Racial Equality, created to represent victims.

"The immediate plight of victims is too urgent" to be left while the problems of the penal policy are sorted out," it says. Therapeutic centres should be set up to help victims of violent crimes and substantial compensation should be paid for "shock, shame, pain and distress" caused.

People permanently injured through armed robbery, kidnapping, attempted murder and attempted assassination should be entitled to compensation comparable to civil damages, the report says.

Working Party on Victims, interim report, Earl of Longford, House of Lords, Westminster, London, SW1 (£1.50).

Air and ship industries receive further £5.9m

BY MICHAEL DONNE

A FURTHER £5.9m compensation for the nationalisation of the aircraft and shipbuilding industries was announced yesterday by Mr. Gerald Kaufman, Minister for Industry.

It brings total payments on account to date for the State take-over of the two industries to £32.65m.

Discussions are now in progress between the Government and the original owners of the nationalised companies, to determine the eventual sums to be paid in compensation, which in the original owners' view should run to several hundred million pounds.

The payments now made are in respect of the unquoted securities in the following companies: British Aircraft Corporation (Holdings), £3,550,000; Scottish Aviation, £150,000; Austin and Pickersgill, £300,000; Brooke Marine, £50,000; Cammell Laird Shipbuilders £100,000; Hall Russell and Co., £100,000; Vickers Shipbuilding Group, £1.25m; and George Clark and NEM £400,000.

Motorcycle sales rise slightly

BY TERRY DODSWORTH

UK MOTORCYCLE sales moved up slightly in the first six months of this year, despite a fall in total two-wheeler registrations because of a decline in the moped market.

According to figures from the Institute of Motorcycling yesterday, sales of motorcycles of more than 50cc rose by about 1 per cent to 85,822 units compared with 84,838.

Moped sales, on the other hand, fell by 46 per cent from 36,288 to 19,481.

Problems in the moped market have been caused by the new law of August 1977 restricting speeds to 30 mph. Nevertheless, there are signs of recovery in this sector.

HOME CONTRACTS

£5.5m PO order for Pye

PYE TMC has received a Post Office order for standard rotary dial telephones worth some £5.5m. The order is for both desk and wall types. The telephones will be made at the Airdrie factory, and deliveries will begin in September.

★

THORN BENHAM, part of Thorn Electrical Industries, has received contracts worth £7m for air-conditioning, plumbing and electrical installations. One is for Barclays Bank International's new office block and dining facilities in Gracechurch Street, London, EC1; another for the John Lewis Partnership's new department store at Milton Keynes; and the third for the first stage of I.M.C.O. Building on the Albert Embankment for the P.S.A.

★

The British Steel Corporation has placed a contract through the crane and mining division of BABCOCK CONSTRUCTION EQUIPMENT, for the supply of a Marion Dresser 7500 Walking Dragline, valued at £2½m. Due for commissioning in 1979, the machine, partly built in the UK, is to be used for stripping operations at the Yarborough Ironstone quarry near the BSC Scunthorpe Works. The dragline's weight in working condition is nearly 800 tons; the boom is 310 ft long and bucket capacity is 18 cu yd.

THE NUMBER of adults out of work rose in all regions in the month to mid-July when seasonal factors are taken into account, except in Yorkshire and Humberside, where there was no change, and in Scotland, where the number of unemployed fell by 400.

Over the last 12 months the absolute number out of work has fallen most in the South East, while the largest rises have been seen in Northern Ireland and Wales.

Since last July the absolute number of unemployed has fallen 9 per cent in the South East and 4.5 per cent in the West Midlands.

Other areas in which there was an improvement were the South West, where the number fell by 1.2 per cent and East Anglia, by 0.9 per cent.

Areas in which the number of unemployed has increased in the last 12 months are: Northern Ireland, up 8.1 per cent; Wales, up 6.8 per cent; the North, 4.6 per cent; Yorkshire and Humberside, 2 per cent; the East Midlands, 1.1 per cent; Scotland, 0.9 per cent; and the North West, 0.5 per cent.

Plan for statement on tax changes

By David Freud

THE INLAND REVENUE yesterday launched a uniform way of releasing details of changes in its administrative practice.

Up to now changes have been spelled out through a variety of means—including Press notices, Parliamentary written answers, letters to accountancy bodies and information released by other departments.

In future the Inland Revenue will issue all information in the form of a Statement of Practice. These statements will be widely distributed and will be available on file in the public inquiry room of Somerset House, the London headquarters.

The statements have been introduced because in the past it has been difficult for accountants, among other concerned individuals, to keep trace of changes.

Yesterday the Consultative Committee of Accountancy Bodies said it welcomed the development. "It is obviously more convenient to have these things under one roof and it is a change which we have been requesting for some months," it said.

The new series is designed to be comprehensive and, therefore, will include statements which may originally have appeared elsewhere.

Buy British paper, Government urged

BY JOHN LLOYD

A CALL TO the Government to support the British paper industry by using British rather than imported paper came yesterday from Mr. Michael King-Smith, chairman of the National Association of Paper Merchants.

Figures from the industry show UK production of all grades of paper and board down on last year, in some cases by more than 10 per cent.

Mr. King-Smith said that employment in the industry, which has an annual turnover of more than £1.1bn, had been reduced to 63,000 from 80,000 10 years ago, while imported paper and board accounted for 47 per cent of consumption.

The Government should ensure that all its offices, the nationalised industries, local government and the police and fire services bought British paper.

"These consumers are not competing in the world markets when they print and convert their product, therefore price is not their prime consideration.

"The Prime Minister has urged managers of British industry and commerce to buy British; here is a classic case of setting an example by action and not words."

Monthly figures from the British Paper and Board Industry Federation show that board production is down 9.5 per cent in the first five months of 1978 over the same period last year and paper production is down 2.7 per cent.

'Share road costs' plan

BY PAUL TAYLOR

LOCAL AUTHORITIES are urged to examine the possibility of sharing expensive road maintenance equipment to curb the effects of reduced highway expenditure in a report published today by the Association of Metropolitan Authorities.

A working party set up to examine the effects of spending cuts on road maintenance concludes that there is no substitute for an increase in real expenditure to overcome the problems of deteriorating surfaces and crumbling foundations.

However a package of eight proposals is put forward for consideration by local authorities to improve road maintenance efficiency without raising expenditure.

Among these are that particular emphasis should be given to management control, and performance reviews, over maintenance programmes.

The working party calls on the Government to examine the effects on road structures of the increasing number of heavy lorries with axle weights over 10 tons.

Highways: A working party report on maintenance standards and techniques published by the Association of Metropolitan Authorities.

HOME NEWS

Allied Chemical drops toxic waste plans

BY KEVIN DONE, CHEMICALS CORRESPONDENT

CONTROVERSIAL plans by a U.S. chemical company to dispose of more than 4,000 gallons of a toxic waste pesticide in Wales have been abandoned.

Allied Chemical of the U.S. has decided to cancel its waste disposal contract with Re-Chem International for the trial incineration of the pesticide Kepone at Re-Chem's plant in Pontypool, South Wales.

The disposal plan aroused fierce local opposition and residents living near the plant have applied for a High Court order requiring Re-Chem to shut the plant and move elsewhere.

Allied Chemical said yesterday that it had been forced to cancel the contract because of delays in achieving agreement with the Health and Safety Executive over operating methods.

The executive served a prohibition notice on Re-Chem earlier this year ordering that processing of Kepone could not be carried out unless a safe system of work had been worked out.

The notice was issued because the Health and Safety Executive was concerned about the hazards of Kepone.

Allied has placed a new contract for the disposal of the chemical wastes with a West German company Kali and Salz, a potash and salt mining concern.

Kali and Salz operates an underground waste disposal dump in its former salt mines, 2,000 ft underground. The drums of Kepone will be permanently stored in the old mines.

Allied said it was convinced that the Re-Chem plan to incinerate the wastes was still technically and environmentally acceptable.

But it needed to take immediate action to remove the wastes from their present site in Maryland, adjacent to a new section of motorway.

Re-Chem said yesterday that it had originally won the business because it was the only company that could fully destroy th waste without it coming into direct human contact.

Dr. A. K. Coleman, managing director, said: "We are naturally disappointed at losing this valuable overseas business and at losing this opportunity to demonstrate our technology to the Americans."

Allied was involved in a $108.9m court action in the U.S. last year over its alleged failure to tell its employees of the dangers of Kepone. The action was later settled out of court.

Methylene chloride cleared in U.S. tests

BY KEVIN DONE, CHEMICALS CORRESPONDENT

METHYLENE CHLORIDE, a widely-used solvent chemical which has been under suspicion as a cause of cancer, has been cleared as not being a health hazard in extensive tests carried out in the U.S.

Dow Chemical, one of the leading U.S. chemical companies, said yesterday that the chemical should not be considered as a human carimogen (concern causing agent).

The preliminary conclusions of two-year animal toxicity studies on the chemical have not shown up any new reasons for concern about the use of the chemical.

Methylene chloride is widely used as a cleaning and paint stripping solvent, as well as in connection with some plastic foams, aerosols and flame retardant chemicals.

The research programme, costing more than $1m., has been sponsored by several companies including Imperial Chemical Industries, Stauffer, Diamond Shamrock and Vulcan Materials.

Methylene chloride is one of the most important solvents. But it belongs to the family of chlorinated hydrocarbons, many of which are under strong suspicion as being a cause of cancer in humans.

Dow toxicologists have reported that there was no increase of malignant tumours in either sex of rats or hamsters exposed to methylene chloride compared with other controlled animals.

In addition, another study made by Eastman Kodak in the U.S., where workers have used the chemical for many years, has shown no adverse effects related to methylene chloride.

Kodak found that the mortality and health patterns for its workers were in line with the general industrial population.

A further human health study is being carried out by Dow in conjunction with Celanese Fibers, but again the preliminary studies show no adverse health effects.

In the two-year animal health study, nearly 2,000 animals were exposed to methylene chloride vapours at levels up to seven times those at present allowed by the occupational health and safety authorities (500 parts per million).

Inspectors criticise Napet arrangements

BY CHRISTINE MOIR

THE DEPARTMENT of Trade's report, published yesterday, on the affairs of Land and General Developments and Napet Securities, the company inherited by Miss Penny Brahms, a model, contains severe criticisms of Napet.

The report outlines reasons behind the controversial move by the Trade Secretary, Mr. Peter Shore, in 1975, to enforce the City Takeover Panel's ruling that Napet must enfranchise the non-voting shareholders of Land and General. The report raises important issues concerning the Secretary of State's powers in such cases.

The inspectors, Mr. Martin Nourse, QC, and Mr. Peter DuBuisson, an accountant, say that, "blinded by selfishness," Napet "acted wrongfully towards the non-voting shareholders" in failing to implement the undertaking to enfranchise them.

They also take 'a grave view' of Napet's removal of the five existing directors of Land and General and their replacement by Dr. P. V. A. McLaughlin and Mr. J. H. Rochman, solicitor to Miss Brahms—by then married to Mr. Michael Caborn-Waterfield—on the ground that the two men would not have been capable of running the company for long.

The inspectors also deplore the conduct of the Napet representatives at a meeting in October 1974 when the other Land and General shareholders unsuccessfully demanded further information from Napet about its intentions regarding its shares.

There is ambiguity over whether the Secretary of State can take such action unless the company is being "oppressively mismanaged" but argue that they were right to recommend the Secretary of State's intervention.

Oil drain 'calls for another Mid East'

BY RAY DAFTER, ENERGY CORRESPONDENT

OIL COMPANIES will have to find the equivalent of 250 fields like the big Forties discovery in the North Sea if they are to replace the crude oil likely to be consumed in the world between now and the end of the century, Sir David Steel, chairman of British Petroleum, said in London yesterday.

"Another Middle East would be necessary to achieve this situation and our geologists tell us that there are few, if any, unexplored basins remaining to give cause for optimism on that score," he told the American Chamber of Commerce.

Consequently, BP, in line with the International Energy Agency, continued to believe that oil production would reach a peak some time in the next 20 years. t

Sir David said there was real fear on this side of the Atlantic that in the event of shortages developing the U.S. with its superior financial resources would outbid Europe for available oil supplies.

SIR DAVID STEEL (Chairman of British Petroleum).

From a position of virtual self-sufficiency in 1960, the U.S. had moved to a position where its use of oil accounted for about 30 per cent of total world consumption, and where about half this crude had to be imported, principally from members of the Organisation of Petroleum Exporting Countries.

New discoveries, urgently needed to offset falling U.S. production from old-established fields, were not being made. Last year more oil was found onshore in new fields in the UK, quite apart from the North Sea, than in the whole of Texas.

Sir David also stressed the need for a greater emphasis on energy conservation. Last year, BP estimates, it was able to save well over £50m by using energy in its operations more effectively than before.

Emphasising BP's own links with North America, Sir David mentioned that with the company's recently - attained majority holding in Standard Oil of Ohio, some 40 per cent of the group's assets were in the U.S.

"Like all new additions to families, we are both going through a period of adjustment and understanding as we meet with a new style of operation and a new variety of experience."

Relaxing before the Middle East peace talks get under way at Leeds Castle, Kent, are U.S. Secretary of State Mr. Cyrus Vance, Egyptian Foreign Minister Mr. Mohammed Ibrahim Kamel and his Israeli counter General Moshe Dayan.

Homes plan worries builders

By Michael Cassell.

PRIVATE BUILDERS would have "grave misgivings" if housing associations began building homes for sale, the House-Builders Federation says.

Mr. Colin Shepherd, president, told members of the federation's Southern Region in London that proposals in the housing policy review would remove restrictions preventing housing associations from building homes for sale. Private builders, he said, would regard any such move as potentially serious.

He commented: "The extension of the Housing Corporation's activities into the field of housing for sale would only lead to a greater demand for the limited amount of land available for house building.

Mr. Shepherd said it was not yet clear whether forthcoming legislation on housing would contain such a provision but that, if it was, builders would oppose it.

"In practice, many registered housing associations already have associated bodies which build houses for sale. But it is, under current arrangements, quite impossible for the activities of these organisations to attract a government subsidy.

"The removal of the restriction in the 1974 Housing Act could change all this and could tend to blur, almost beyond distinction and control, the already greying area between private enterprise—subject directly to the competitive pressures of the market—and public enterprise competing on a subsidised basis."

Robert Collin

A REQUIEM Mass for Robert Collin, Assistant Editor and chief leader-writer of the Financial Times, who died at the weekend, will be said at St. Etheldreda, Ely Place, London EC1 at 10 am on Friday, July 21.

Banks and brokers reminded of code

FINANCIAL TIMES REPORTER

BANKS and foreign exchange brokers have been sent a reminder of their responsibilities because of growing concern over the danger that accepted standards of practice in the markets have been deteriorating.

The warning comes as one of the periodic notes sent out by the special monitoring body, the joint standing committee which represents the banks and the brokers with a chairman from the Bank of England.

The note, sent out on June 19, particularly concerned apparent breaches of rules requiring banks to deal through brokers, and of the required standards of confidentiality.

The committee was set up with members from the banks and from the Foreign Exchange and Currency Deposit Brokers Association to keep a check on the market's observance of the terms of the so-called O'Brien letter. This was set out in 1975 to set out basic standards of conduct.

One of the main points of this code is that banks which use brokers for foreign exchange business should not also deal direct with other banks, subject to certain limited exceptions. It is believed that a certain amount of direct dealing has been going on.

A reminder has also been sent that in the currency deposit market if banks use brokers in dealings with other banks in London they should be members of the association.

British Leyland executive 'confessed to forgery'

A BRITISH LEYLAND executive went for a walk and then confessed to forging a letter from Lord Ryder, former chairman of the National Enterprise Board, an Old Bailey jury was told yesterday.

Mr. Peter Cliff, a Daily Mail reporter, said his newspaper had published on May 19 last year a story accusing Leyland of paying bribes. This story had been based on documents supplied by Mr. Graham Barton, 34, of Lincroft Gardens, Hounslow, Middlesex, then a financial executive with the company.

The dossier Barton supplied contained a copy of a letter purporting to be from Lord Ryder to British Leyland, which appeared to support the allegations.

At a meeting with Barton at the Waldorf Hotel, London, before publication, the two reporters had told him if he had any doubts that was the time to "opt out." Mr. Cliff said: "He responded quite confidently that he could vouch for all the documents. He had no qualms whatsoever."

On May 20, after the Daily Mail had published the story, Mr. Cliff met Barton at a public house beside the Thames at Richmond. Mr. Stewart Steven, Associate Editor of the Daily Mail, Mr. Nicholas Gultard, a freelance journalist who acted as go-between and Barton's Turkish-born wife, Fatima, 32, were also present.

"In the light of doubts being cast on the validity of the Ryder letter, we were asking him again and again and again if it was a true letter," said Mr. Cliff.

"He was adamant that it was not forgery." But after a walk along the river with his wife, Barton had returned and confessed: "I have been a bit delinquent," said Mr. Cliff.

Check on foreign car forgings

BY PETER CARTWRIGHT

SUGGESTIONS THAT the Davignon plan to maintain European steel prices is leading to overseas producers moving into semi-manufacturing to maintain their exports, are being investigated by the drop forgers' association.

Members say evidence is accumulating of sub-contractors to the automotive industries using Japanese and other foreign forgings in products being supplied to British car, truck and tractor makers.

This is compounding the forging industry's problems. It has had to contend with the failure of British plants to meet production targets; rapidly increasing shipments of vehicles from the Continent by multinational companies; and an influx of foreign cars that has taken up to half the domestic market.

The final blow, earlier in the year, was the collapse of the usually steady tractor market and, again, rising imports, especially from East European sources. A record number of foreign tractors were on view at the recent Royal Show.

While exports have helped to soften the blow, there are few exporters of forgings of consequence. GKN, which produces more than half the UK output, easily tops the list with 20 per cent and is looking for partial where it sees cars produced there getting smaller.

Like the rest of the industry it has had to make savage cuts in the labour force—one in seven at the Garringtons division—while others have had to close some units and transfer as many as possible in a rationalisation programme.

Garringtons, which has been on short-time since Christmas, is only just beginning to get back to full-time working and more normal productivity levels.

"We have always seen the danger that an attempt to stop people selling raw steel into Europe will cause them to move down the line into forgings and castings," Mr. David Powys, director of the National Association of Drop Forgers, said.

"A number of our members say their customers are buying forgings from Japan, Germany, Italy, Spain and elsewhere, through subcontractors at prices 20-25 per cent below UK prices.

"We are busy collecting as much evidence as possible to present to the Government."

Despite these problems, leading forging plants hope to make good lost business by linking with the U.S. motor industry, especially for engine components.

Moving to highly - stressed smaller engines involves learning a new technology, which UK producers have at their finger-tips.

They are hoping that, with the increasing strength of the yen in relation to the dollar, U.S. vehicle producers will now look towards the UK.

Shetland bid to end terminal delays

By Ray Perman, Scottish Correspondent

THE SHETLAND Islands Council is almost certain to allow oil companies to anchor accommodation ships off the Sollum Voe terminal site—vital if construction delays are to be made up—after agreement by the companies to guarantee any loss in rate revenue up to £1.6m.

Delays to the terminal are causing concern at the highest levels.

The site was visited last week by Sir David Steel, chairman of BP, Lord Kearton, chairman of the British National Oil Corporation, and Sir Jack Rampton, Permanent Secretary at the Department of Energy, who urged contractors to do all they could to make up for lost time.

The project, the largest of its kind in Europe, is behind schedule, particularly in the construction of gas treatment plant. As a result, the council has calculated it could lose between £1.1m and £1.6m in rate revenue.

No rating assessment has yet been made, but it has been estimated that it could be as high as £30m. The council's present rate poundage is 45p, which represented a 400 per cent increase for commercial and industrial concerns over last year.

A demand for compensation for any loss in rate revenue because of the delay was made by the council in May.

BP, the operators, on behalf of the 32 companies in the terminal group, had agreed to meet any shortfall, but in return has demanded that permission should be granted for two ships to accommodate 800 extra workers needed to speed construction.

This would bring the total workforce to nearly 6,000, although shift systems would mean that only three-quarters of this number would be on the island at any one time.

Fulmar rig contract awarded

By Our Scottish Correspondent

A MAJOR oil platform contract for the Fulmar Field, 212 miles east of Dundee, was awarded yesterday to Hi-Fab, the Cromarty Firth yard owned jointly by Wimpey and the American offshore group Brown and Root.

Shell Expro, operator on behalf of the Fulmar consortium, declined to say how much the 12,300-ton platform would cost, but the contract is understood to be worth £20m.

It will secure employment for the 1,500 local workers at the yard until early 1980.

By maintaining a run of virtually unbroken work, Hi-Fab has emerged as one of the most successful of the six UK yards that have secured orders. Three weeks ago it launched a second steel platform for the Ninian Field and it is presently working on two small structures for Amoco in the Indefatigable North Sea gasfield off the Lincolnshire coast.

The Fulmar platform will be built on skids alongside the dry-dock used for previous large projects built at Nigg and will have eight legs and will be designed to drill and produce oil in sea 82 metres deep.

Steel will start to be delivered in August and the platform is scheduled to be completed in the first part of 1980.

One of Hi-Fab's unsuccessful competitors for the contract was the new multinational joint group H D-N, formed last month by the Anglo-French concrete constructors Howard-Doris and the American-Dutch group NAPM.

Burmah-Bank case today

By Margaret Reid

BURMAH OIL's application for an ored compelling the Bank of England to disclose 62 documents in connection with its £500m action against the Bank concerning its former shareholding in British Petroleum will be heard today in the High Court before Mr. Justice Foster.

The application had been due earlier this week before Mr. Justice Slade, but he decided it would not be in the public interest for him to hear the case, apparently because he had some interest in the matter.

Cabinet plans bigger role for managers in participation

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT is to consider ways of increasing the role of managers in its plans for legislation on worker-directors and statutory participation committees.

This follows a meeting yesterday between Mr. Edmund Dell, Secretary for Trade, and a delegation from the British Institute of Management.

Mr. Albert Booth, Employment Secretary, attended the talks, which were concerned with the White Paper on industrial democracy published two months ago.

The managers' delegation, led by Sir Derek Ezra and Sir Frederick Catherwood, said that the interests of junior and middle managers needed to be specially safeguarded in any future legislation.

These managers should not be excluded from statutory rights to participation arrangements just because they might not belong to a trade union.

These points are to be discussed in detail between civil servants and the institute's staff.

The delegation had less success in claiming that early legislation on the subject might be counter-productive.

Sir Frederick suggested that it might be more constructive for the Government simply to make a public statement calling on companies to introduce forms of industrial democracy.

This could be backed by both a code of good practice and a threat to legislate in, say three years' time, if industry did not make sufficient progress in the meantime.

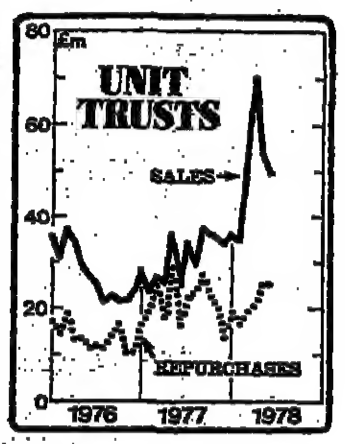
Such an approach, Sir Frederick suggested, would enable industry to develop schemes flexibly and would mean that any legislation that might eventually be needed would be based on more practical experience.

June unit trust sales total £49.6m

BY ADRIENNE GLEESON

UNIT TRUST sales during June were not quite as high as those of the two preceding months, but at £49.6m the figure was still the third highest on record.

However, the sales of three new funds contributed £6.5m to the total. Gartmore Extra Income pulled in £1.2m during the month, Crescent Tokyo £2.4m, and Kleinwort Benson's Smaller Companies just short of £3m. No new funds were launched in May, when total sales amounted to £53.2m.



Repurchases in June were well above this year's monthly average of £21.3m, at £25.7m. Net new investment for the month worked out at £23.8m, against £37.6m in May, and a mere £8.2m a year ago.

Net new investment for the first half of this year has totalled £165.2m, thanks to the boom in April and May. The comparative figure for the first half of last year was only £39m, while for the first half of 1976 it was £105.5m.

The figures suggest that the crisis affecting the industry in the middle of last year—as unit-holders took advantage of a relatively strong market to pull their money out—has now abated.

However, the number of unit-holders' accounts is continuing to fall. At end-June last year it was 2,061,754; at end-May this year 1,991,782; and at end-June 1,987,398. Between the end of June last year, and the end of June this, the value of the funds invested through unit trusts has increased from £3.06bn to £3.71bn.

The increase in the size of the average holding will be welcome to unit trust groups, which complain that with the present scale of management charges, it is impossible to make money on small holdings.

They have been campaigning for some time for a change in the way charges are levied, which is regulated by the Department of Trade. A statement by Baroness Birk in the House of Lords last week has given rise to hopes that their case is being more sympathetically considered now than it has in the past.

More Government aid sought for offices

FINANCIAL TIMES REPORTER

A QUARTER of the working population is now employed in offices, and the proportion is expected to grow further, says the Location of Offices Bureau.

Its annual report, published yesterday, says that the Government had, in the past, given substantial cash to industry. It would now do the same for the office sector.

The report also suggests more forward-planning on office space.

"The problem in the next few years will be how to get office space in places which may be capable of supporting office employment or, indeed, where it is wished to encourage this employment but where no buildings are available."

Mr. Anthony Prendergast, LOB chairman, said that there was practically no office space available in some parts of the company. The report suggests that ideally, three to five per cent of the total stock of offices should be immediately available or under construction in every local authority area, to allow for natural growth.

The LOB suggests that funds set aside for development areas should be used to build a few advance offices, instead of the usual advance factories.

Mr. Prendergast said that the Government should now consider ways of generating fresh job opportunities in the office and service sector. He stressed that schools should provide educational skills to equip the workforce of the future to handle highly sophisticated electronic office equipment.

During 1977, the LOB—whose terms of reference have been widened to help promote office employment in inner urban areas (including parts of London) and to attract international companies to the UK—handled 239 approaches from companies employing a total of 12,216 people.

Salvage ship for Mersey

THE PORT of Liverpool's new salvage and fire-fighting vessel, Vigilant, arrived in the Mersey from Holland yesterday to maintain river buoys and lights.

She was built at Groningen when Mersey Docks and Harbour Company was unable to get a comparable price and delivery date from British yards, and designed by Graham and Woolnough of Liverpool in association with the company.

The vessel is the fourth on the river to carry the name Vigilant.

Louis XV bureau plat fetches £13,500

SALEROOM

BY ANTONY THORNCROFT

A SALE of furniture at Phillips yesterday fetched £138,040. Wright paid £13,500 for a Louis XV bureau plat (estimate £8,000); and £12,500 for a Louis XIV marquetry commode (estimate £10,000).

There were many foreign buyers, including Steinitz, who paid £8,000 for a bureau plat in the early Louis XV style, and an unexpected price of £2,300 (estimate £700) for a French directoire bidet.

In a sale of clocks and watches, which totalled £86,500, the highest price of £10,500 was paid by Mannheimer for a Louis XIV regulateur long-case clock in the manner of Boulle. Camerer Cuss paid £4,000 for a late 17th century verge watch by Richard Ricorde of London.

At Sotheby's, European ceramics sold for £51,546 with top prices of £1,500 for a Saintonge oval dish of the 17th century from the School of Bernard Palissey and £1,450 for a Marcolini Meissen part-coffee service with 14 pieces.

Victorian pictures fetched £25,199 at Sotheby's Belgravia, "Boston Stump," by Alfred Dawson, selling for £800 and a pair of paintings by Edward Armfield, of puppies the same price.

Oriental manuscripts and miniatures contributed £54,655 for a two-day total of £165,506.

At Sotheby Beazer, a Ispahan rug fetched £2,050 in a rugs and carpets auction which realised £25,770.

At Christie's, Japanese works of art were sold for £145,894, and art nouveau for £76,557. The top price was the £8,800 for an early Lerellié cameo vase, probably by Edward Michel.

A decorchement pate-de-verre vase was bought by Lesiestre for £5,000. The coin sale totalled £31,060 with a highest price of £2,050 from Lubbock for a George V 1911 proof set in gold.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Accurate extrusion

FIRST COMPANY in Britain to produce extrusions using indirect presses, and the first in Europe to use the process as developed by Texas Hydraulic Presses, Anchor Extrusions, is now operative.

The basic difference between the indirect and direct process is that indirect presses force a die through a billet, as opposed to forcing the billet through the die. The perfecting of this process means that extruders can offer their customers extrusions with much closer tolerances, more accurate shapes and good anodising properties.

Anchor will also offer a complete anodising and electrophoretic white painting service.

The two presses that the company are installing have capacities equivalent to 1,000 and 2,000 ton direct presses, giving a maximum annual output of 7,500 tons.

The presses are capable of producing a range of sizes from ¼-inch rods or shapes within a 5¾-inch circumscribing circle. They can go below this minimum depending on the complexity of the shape.

The company should be of interest to many fabricators, especially as the presses are suitable for short runs. The company will accept orders for quantities as low as 25 lb (11 kilos).

Anchor Extrusions, Cleator Moor Industrial Estate, Cleator Moor, Cumbria CA25 5QB, is backed by the J. T. Leavesley Group which has an annual turnover in excess of £14m.

Patterned concrete slabs

A RANGE of machinery which allows a wide variety of patterned concrete paving and floor slabs to be manufactured on the same piece of plant has come to the UK via Henke (Great Britain), Moorfield Industrial Estate, Yeadon, near Leeds, West Yorkshire (0532 502145).

The Hermetic Silenta press makes it possible to maintain constant production at any required volume, change the rubber face plate and therefore pattern quickly and easily according to production requirements, and reduce manpower through the use of highly-automated equipment.

The machine eliminates the need for any filter element to be used in the mould and, says the company, cuts out the problem of effluent disposal which can be costly and time consuming in conventional slab manufacture. Element size is up to a maximum of 1 metre by 1 metre.

Compressor tie-up

GAS TURBINE compressor packages designed for the oil and gas industries are to be marketed under an agreement announced by Elliott Company, a division of Carrier Corporation, and Ruston Gas Turbines.

These units combine Elliott compressors with Ruston gas turbines and auxiliaries on a common baseplate and should cut installation and maintenance costs.

Called Phoenix, the packages are designed and assembled to provide a high level of dependability.

Phoenix will be available from both organisations in capacities up to 5000 hp and will be used for such applications as gas lift, gas-oil separation, natural gas liquids, plants and gas gathering.

More from Elliott Turbomachinery, 197, Knightsbridge, London, SW7 1RB (01-589 8111).

● DATA PROCESSING

Micro switches messages

LIKE MANY of the companies offering telegraphic telex message switching systems, International Management and Operational Systems is now offering a microprocessor-based equipment which is intended to allow this kind of technique to come within the reach of "even the smallest business."

The new IMOS Series 300 system amortised over a five year period will, it is asserted, provide sophisticated message handling facilities for as little as £25 a week.

Using an MP6800 processor, the equipment allows terminals originating messages to forward them to the store at any time for later onward transmission, so that it does not matter if the destination terminal is engaged. In fact, the system will queue messages addressed to a particular terminal, ultimately transmitting them according to a priority code.

In addition, multiple destinations can be addressed, some routes can be barred, codes and speeds can be converted. If desired traffic statistics (and messages themselves) can be retrieved.

More from Suite 307, Shoe Lane, London EC4A 3JB (01-253 4133).

Supermarket terminals

PROGRAMMABLE terminals and controllers that allow supermarkets to improve checkout operation and in-store reports have been announced by International Business Machines in White Plains, New York.

Two new models can use either IBM program products or user-written programming executed through new versions of the IBM store controller. This permits management to tailor terminal functions to the requirements of individual stores. For example, methods of handling coupon and food stamp transactions can be modified from store to store, and so can the form and content of sales reports.

The new products make it easier for stores to modify existing applications or add new ones—such as automatic reordering and delivery of stock. They also can continue to provide some basic checkout functions in the event store controller support is interrupted.

Tells what pays off

PROVIDERS of coin-operated vending or entertainment machines will be interested in a bureau service offered by CMG Computer Management Group (Middlesex), designed to show the profitability of video games machines placed by Cherry Leisure (UK).

The system maintains such details as the purchase price and date, the current and previous locations of each machine, and the extent to which the machine has depreciated.

But in particular the system takes details of collections from the video games and uses them to build up statistical data relating to takings over a period of time. It then becomes possible to spotlight those games which are waning in popularity and move them to another area where they might achieve more income.

Data from the system is posted to CMG's recently introduced financial accounting service, FACT, which handles the company's sales, purchase and nominal ledgers; previously, Cherry carried out these tasks manually.

CMG is at 320 Ruislip Road, East, Greenford, Middlesex (01-578 4563).

Micros run twice as fast

AMI MICROSYSTEMS has built new members into its S6800 microprocessor family, which have operating speeds of up to twice those of the earlier versions.

New are high-speed A and B versions of the S6800 microprocessor itself, plus the S6810 random access memory, S6821 peripheral interface adapter and S6850 asynchronous communications interface adapter.

Of these new products, the B versions offer the highest operational speeds. For example, the microprocessor, peripheral interface adapter and asynchronous communications interface adapter in this group all operate at 2.0 MHz, or static RAM has a maximum access time of 250 nanoseconds by comparison with 1.0 microseconds and 575 nanoseconds with earlier models.

The new A version parts, operate at 1.5 MHz or at 50 per cent higher speed than the earlier units.

AMI Microsystems, 108, Commercial Road, Swindon, Wilts. 0793 31345.

● MATERIALS

Colour in the concrete

PERMANENT CEMENT colours for floorings, renderings, precast concrete, paths, patios, pools and pointing, etc. have been introduced by Sealocrete Products, Atlantic Works, Oakley Road, Southampton SO9 4FL (0703 777331).

Sealocrete Drytone is said to mix easily and uniformly with cement to produce strong, attractive and durable colours, its high staining power enabling economic usage for interior and exterior applications.

● COMPONENTS

Improving performance

ALTHOUGH the circuit breaker tubes that will eventually come off a new production line which ASEA Isolation has decided to build at a cost of £240,000, will be built up in basically the same way as hitherto, a new manufacturing technique is to be employed.

The tubes are made up from glass fibre and epoxy resin providing excellent mechanical and electrical properties. The vacuum impregnation method used ensures a pore-free homogeneous tube with good adhesion between fibre and resin.

The new technique will provide better surface finish and this is considered an important improvement since it reduces the incidence of surface tracking and contamination. At the same time, the tube walls are more transparent so that it is possible to see oil levels, when they are used in oil circuit-breakers.

Costs will also be cut, particularly where large numbers of tubes of one type are being made and a much higher output per mould will be possible.

Further from ASEA, Villiers House, 41 Strand, London. 01-930 5411.

Three-axis motor drive

HOUSED in one unit made by Indramat are three thyristor control amplifiers able to drive the X, Y, and Z axes of a machine tool head, together with the necessary power unit.

Intended for the continuous RPM control of permanent magnet DC motors, each section of the unit can supply 3.3 kW and has a number of built-in electrical facilities including dynamic curent limitation and speed governed limitation of ignition angle.

More from the company at Partensteiner Strasse 23, D-8770 Lohr am Main, Germany.

● CONFERENCES

Discussions on fluid sealing

DURHAM UNIVERSITY will be the venue for the British Hydromechanics Research Association's eighth international conference on fluid sealing, September 11-13.

Sealing in all its theoretical and practical aspects will be covered, particularly the magnetic liquid seal first described by a team from Oxford University at the 7th International Fluid Sealing Conference in 1975.

Further from the Organising Secretary, 8th ICFS BHRA Fluid Engineering, Cranfield, Bedford MK43 0AJ.

● METALWORKING

Small press for the workshop

A HYDRAULIC coining and stamping press—the Mini-Forge, which exerts 250 ton pressure within a press smaller than an office desk—now incorporates electrically controlled production cycles, says its maker, Rhodes Gill and Company, Greenside Works, 5, Carlisle Drive, Pudsey, Leeds LS28 8QL (0532 572727).

These allow single cycle operation, triggered simply by closing the Mini-Forge guard which re-opens when the cycle is complete. Any forming pressure between 15 and 250 metric tons may be selected and the press will automatically reverse when that pressure is reached.

Continuous automatic cycles are push-button controlled with the press cycling at between 15 and 30 strokes per minute dependent on tonnage and stroke lengths. Embossed or stamped impressions on continuously fed strip can be made every two seconds.

The small overall size of the press, says the company, makes it possible for it to pass comfortably through a normal doorway, thus making it particularly suitable for in-store production or jewellery workshops.

Accurate placing of components

GRIMSTON'S mini positioning table, used as an accessory to pillar drilling machines, is on general sale.

This follows demands from users of other makes of drilling machines, and the needs of machine shops, technical colleges and many specialist companies for accurate positioning of components on production tables.

The table, which can either be mounted on an intermediate drill table, or be free standing, is an inexpensive aid to the production of all types of product: e.g. small jigs and fixtures, the machining of small batches of work when the cost of jigs is not justified etc.

Area of the table is 18 ins by 10 ins, and the leadscrews with 5 mm pitch moving in adjustable nuts provide 13 ins longitudinal and 6 ins cross travel.

Grimston Machine Tools, Brunswick, Ashford, Kent, TN23 1RZ. 0233 22187.

● TEXTILES

A different yarn spun

A SYSTEM of unconventional spinning has been developed in Austria in which the yarns made are of greater strength, differing from all other systems in that the fibres are at all stages under very positive control, says British agent Geoffrey E. Macpherson, West Bridgford, Nottingham NG2 6AD (0602 868701).

The process, called DREF III, is based on the use of standard double-apron drafting units, as used on conventional ring frames, but this development alone is said to offer considerable investment savings as the concept is relatively cheap to build and is based on existing elements.

Instead of fibres from sliver being opened by a toothed roller and blown into this nip, as in the older system, the new method presents the fibres to the rollers via a standard double apron, two-zone drafting sliver and, by reducing the diameter of the perforated rollers to which negative pressure is applied from within, it has become possible to present individual fibres to the yarn forming zone and so control very precisely the delivery of the feedstock.

Unlike systems using a toothed or pinned beater roller to open the fibres from the sliver, this latest unit is said to produce very strong yarns, and the fibres do not have the hooks that lower the strength of yarns made on the usual open-end frames.

The company anticipates that when the commercial units are launched next year, not only will short staple fibres (about 40 mm) be processed, but production rates will be around 450 metres per minute.

● ENVIRONMENT

Humidifying costs cut

RECENTLY FACED with a cost of £8,000 for putting a conventional humidifying system into the carding area of one of its Huddersfield mills, yarn spinning company Fred Lawton and Son devised its own system for only £3,000 using pneumatic atomising nozzles and fittings from Spraying Systems Company of Chicago.

Fifty of the nozzles are mounted in pairs on a stainless steel water pipe just below roof level, with strainers to prevent clogging. Connections for the atomising air are taken direct to each nozzle from a second pipe by means of short lengths of flexible tube. Steps were taken to prevent dripping from the nozzles if the air supply should fail.

Humidistats control the electrical supply to solenoid operated air valves in the compressed air line. A fall in humidity opens the solenoid valve, admitting air to the nozzles. The spray shuts down when the humidity reaches the required level.

Apart from being cheaper the system occupies less overhead space and maintenance is simple.

More from the UK agents, CT (London), 3, Hobart Place, London, SW1. (01 235 1304).

● SAFETY

Seals off gas leaks

RECENT reports have indicated growing concern as to the possibility of gas tracking through service ducts into commercial and residential properties.

The pipeline services division of BTR Silvertown in Burton-on-Trent has developed a sealing foam, "Duct-pac," which it says provided effective, permanent and inexpensive sealing of gaps between service pipes and ducting, and sealing the duct into the wall.

Duct-pac is a polyurethane pre-polymer foam and is supplied in 500 gm aerosol cans which extrude some 10 litres of foam. It gives a permanent and flexible seal able to withstand at least 2 psi, far above any gas pressure likely to be experienced.

The one-component foam requires moisture to cure and this is normally available from the atmosphere or contact surfaces. Moisture tissues are, however, supplied with the cans to assist the foam cure in sealed cavities or very dry conditions. Foam density is in the range of 18-22 kg/cubic metre and, after cure (approximately two hours), the foam can be cut, sawn and even painted if required.

Fire-resistant properties are in accordance with ASTM D1692 and BS 476 part 7.

Cool conditions prolong the foam's shelf life, which averages some nine months, and the optimum operating temperatures are between 5 and 20 deg.C. The foam offers effective resistance to rot, ageing, rodents and chemical attack. Adhesion to substrates is good, with the exception of polyethylene, but in this instance Duct-pac produces an efficient gas seal by physical expansion against the material.

BTR, Pipeline Services Division, Horninglow Road, Burton-on-Trent, Staffs DE13 0SN. 0283 61171.

PARLIAMENT AND POLITICS

Tories reluctant to agree summit claims

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN yesterday modestly claimed no more than "a good measure of success" for the Bonn Summit.

Much to his annoyance, Conservative critics were markedly reluctant to credit it with even that much merit.

"It represents a combined attack on the economic problems that our countries confront," the Prime Minister told MPs.

"As a result of this meeting, the summit countries are pointed in the right direction and the measures that will follow from the individual commitments will help to create more jobs and more trade *without rekindling inflation*."

The measures would reinforce each other. "Their total effect should thus be more than the sum of their parts," he added.

The Tories scoffed at every line—and set about minimising the entire performance as well as the Prime Minister's personal role.

Mrs. Margaret Thatcher detected familiar echoes of the optimism and unreality of previous summits in the Bonn declaration. Britain's most urgent task was to create more jobs, she said. What practical benefits would now emerge? Was it to be, as the Prime Minister's election campaign adviser had reported, a 2p cut in income tax this autumn?

Mr. Callaghan was pained by such cynicism. Why did the Tory leader persist in playing down Britain's share in successful international co-operation he demanded.

Previous summits had at least restrained any widespread move towards protectionism. Bonn's specific commitments promised more

Mrs. Thatcher's personal attacks were too much, he said angrily. Especially, it seemed, after he had been content to confine any hint of praise for his own role to the rehearsals earlier this year with President Carter and Chancellor Schmidt.

Far from electioneering, the Prime Minister had gone out of his way to stress that there could be no instant remedy for unemployment. The Bonn summit would work no miracles and it would be wrong and mischievous to suggest otherwise.

Mr. Callaghan gratefully accepted his due congratulations from Labour backbenchers—but became increasingly testy with sceptical Tories.

Mr. David Crouch (C., Canterbury) tartly suggested that the Prime Minister's time might have been better spent in seeking a Middle East solution at Leeds Castle than in "some small town in Germany."

That showed the Tories' total lack of proportion, Mr. Callaghan snapped.

"I know the Opposition is nervous about the coming months," he added as Mr. Ray Whitney (C., Wycombe) again referred slightingly to the meagreness of Britain's contribution to Bonn. "What this country has done in recovering from the economic follies of the previous Conservative Government is much admired overseas," Mr. Callaghan declared

But Mr. Norman Atkinson, the Left-wing MP for Tottenham, scarcely helped to promote such pre-election admiration at home. How was it possible for the heads of Government to deliver internationally what they refused to deliver in their own countries? he demanded.

Mr. Callaghan retorted that all had agreed to take practical steps. The Tories chorused their scorn. And Mr. Callaghan rounded on them bitterly. "Don't you want to see a reduction in unemployment? Don't you want to see world trade increased? Why do you sneer at these efforts?"

What benefits can we really expect, Thatcher demands

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE RESULTS of the Bonn economic summit met with a sceptical response from Mrs. Margaret Thatcher, the Conservative leader, when the Prime Minister reported back to the Commons yesterday.

Mrs. Thatcher detected a certain similarity with previous summits in the wording and the optimism of the Bonn communique. She wondered whether this indicated that there would also be a similarity in the lack of practical results.

She pointed out that the statement issued after last year's Downing Street meeting had contained phrases such as "our most urgent task is to create more jobs" and "We commit our Governments to growth targets."

Mrs. Thatcher asked Mr. Callaghan if he would now care to list the specific benefits which had flowed from the previous summit

The Opposition leader was also suspicious of some of the briefing given to journalists after the Bonn meeting. She asked for *clarification of a report which* had appeared in the Sun, written by the journalist who is to be Mr. Callaghan's adviser at the next election. This said that one of the results of the summit could be another twopence off income tax in an autumn budget.

In reply, Mr. Callaghan maintained that one of the benefits of the previous summits had been a negative one — namely that the member countries had not *gone any further down the road* of protectionism.

The main practical benefit of the Bonn summit was that individual countries had made specific commitments and had gone on record much more completely and accurately than at previous summits as to what they were ready to do during the coming months. They had gone much further in this respect than at the Downing Street meeting.

"*Everyone realises* that the situation is much more serious now that another 12 months have elapsed," he added. "Throughout the world, it has got worse."

But Mr Callaghan ducked the question about further income tax cuts. Blandly, he declared that he was not aware of the report in the Sun and he berated Mrs. Thatcher for bringing the personalities of individual *journalists into the argument.*

In his prepared statement, which was punctuated by sceptical laughter from some Conservatives, Mr. Callaghan declared: "As a result of this meeting, the summit countries are pointed in the right direction. The measures that will follow from the individual commitments will help to create more jobs and more trade without rekindling inflation."

He confirmed that *on* behalf of the UK he had undertaken to continue policies to contain inflation and improve still further the prospects for growth and employment.

On international monetary policy, it was our view that implementing the measures outlined in Bonn would help to bring about a better pattern of world payment balances. This would lead to greater stability of exchange rates.

"Monetary authorities will continue to intervene to counter disorderly conditions in the markets," he declared.

Summing up the meeting, he told the House: "It represents a combined attack on the economic problems that our countries confront. The measures on which we agreed will mutually reinforce each other. Their total effect should thus be more than the sum of their parts."

Exchanges about Bonn also occupied part of Prime Minister's question time when the Opposition concentrated its attack on the latest unemployment figures released yesterday showing that the number of jobless had risen above 1.5m again.

The Prime Minister told his critics: "I think what we did at Bonn yesterday is going to help this throughout the world. But it would be wrong and mischievous of anyone to represent that the level of unemployment throughout the industrialised world, or the UK, is going to come down fast.

"It is not, and that is the reason we have to keep the temporary employment subsidies and other job-creating measures that we have."

Mr. Callaghan told one of his Conservative questioners, Mr. Andrew MacKay (Stechford) "If you happen to be here after the next general election, you will find that unemployment will be going down steadily."

Mr. Frank Allaun (Lab, Salford E) suggested that since it was agreed at Bonn to stimulate the Western economies, public spending restrictions on housing, health, social services and education could be relaxed.

But the Prime Minister told him firmly that there could be no such increases until they were earned. "So far, we have not earned them."

Following Mr. Callaghan's statement, there was a whiff of scepticism from Mr. John Pardoe, Liberal economics spokesman, who welcomed the intention to increase world demand, "particularly if that comes about."

Mr. Pardoe thought the greatest barrier to increasing demand in Britain was the domestic rate of inflation.

He asked the Prime Minister *about the Government White* Paper on the next stage of incomes policy, which he predicted would be published on Friday. Would this ensure that our rate of inflation for next year would be at, or below, the average of other OECD countries?

The Prime Minister agreed that inflation was our biggest handicap. We had reduced it substantially and would continue with the policies which had brought success so far. "Our biggest problem is the relative failure of industry to be more productive. If we can raise the level of productivity, we shall get a faster rate of growth."

A leading Left-winger, Mr. Norman Atkinson (Lab., Tottenham) was also sceptical. He argued that the results of Bonn, like those of earlier summits, were contradictory. The other six heads of Government were leaders of free market economies, he said, and determined to practise non-interventionist policies in their own countries.

"How is it possible for them to deliver internationally what *they refuse to deliver domestically?*" he asked.

But the Prime Minister said that Mr. Atkinson underestimated the degree of control that other Governments had over their fiscal and monetary policies.

Germany, for instance, could take measures through reduction in taxation or increases in public spending. The Japanese Government intended to do the same. President Carter would take action on oil prices.

"All of these are practical steps which were missing in previous declarations," Mr. Callaghan insisted.

This brought scornful laughter from the Tories, but Mr. Callaghan asked them angrily: "Don't you want to see a reduction in unemployment? Don't you want to see world trade increase? Then why do you sneer at these efforts?"

Hijack measures 'a big deterrent'

THE MEASURES agreed at Bonn to combat terrorist hijacking of airliners will come into operation immediately, Mr. Callaghan told the Commons yesterday.

Mrs. Margaret Thatcher, Leader of the Opposition, emphasised that vigorous steps must be taken to extend the new policy to countries throughout the world.

The Prime Minister said the new measures would be effective anyway, as the seven countries at the summit controlled between them over 50 per cent of air traffic. This would be a significant deterrent.

However, the Government intended to approach other countries through diplomatic channels to ask them to support the policy.

The new scheme means that countries will halt flights to and from states which refuse extradition for prosecution of hijackers or who do not return the aircraft involved.

MPs reject Millan's abortion law advice

BY IVOR OWEN, PARLIAMENTARY STAFF

AGAINST THE advice of the Government, the Commons last night endorsed the view of the House of Lords and removed responsibility for abortion law from the Scottish Assembly.

In a free vote, a motion to disagree with the Lords amendment to the Scotland Bill, deleting abortion from the schedule of devolved matters, was defeated by 282 votes to 148, a majority of 134.

Some Ministers went into the lobby with Opposition MPs to reject the recommendation of Mr. Bruce Millan, Scottish Secretary, that, as a matter of principle, abortion, along with all other matters relating to the National Health Service, should be left within the powers of the Scottish Assembly.

Mr. Millan stressed the Government's anxiety not to become embroiled in the continuing controversy over the merits of the abortion law and this was reflected in the decision to permit a free vote.

He took his stand on the principle that a Scottish Assembly, once established, should be free to change the existing law on abortion if it wished to do so.

He discounted suggestions that a more restrictive law in Scotland could create problems for the National Health Service in England with Scottish women heading south to secure the termination of unwanted pregnancies.

Any problems which did arise, he suggested, were likely to concern only the private sector.

The Scottish Secretary pointed out that in practice there was already a divergence between the operation of the abortion law in Scotland and the rest of the United Kingdom.

This was illustrated by the fact that in 1977 there were 133,000 abortions in England and Wales, of which more than 80,000 were carried out by the private sector. In Scotland, the total number of abortions was 7,283 of which only 195 took place in the private sector.

The total number of non-residents who obtained abortions in Scotland was 18, compared with 30,762 in England and Wales.

Mr. Millan contended that there was a "good deal of myth-making" about the whole issue of abortion. "*I believe that, in principle, this* is a matter which the assembly should decide for itself," he declared.

Taking a completely contrary view, Mr. Teddy Taylor, shadow Scottish Secretary, argued that there was a very real possibility that a difference in the abortion law as between Scotland and the rest of the UK would create a big problem.

He saw the likelihood of a *major social problem developing* through cross-border traffic in abortions and recalled the anxieties caused by the large number of continental women who had crossed the Channel to secure abortions not available to them in their own countries.

Mr. Taylor maintained that the right answer was to make provision for having a uniform law on abortion which applied throughout the UK.

Tough law urged on price rings

LAWS SHOULD be tougher against price fixers who are "ripping off the public sector," Mr. Jeff Rooker (Lab, Perry Bar) urged in the Commons yesterday.

He gained a formal first reading for a Bill providing increased powers for the Director General of Fair Trading to look into industries where he suspected that price rings or other restrictive practices were operating. Voting was 209-147, majority 62.

Mr. Rooker complained that penalties were more severe against shoplifters than against those who rigged local government contracts.

Objecting to the Bill, Mr. Nicholas Ridley (C. Cirencester and Tewkesbury) said that the same rules should appply to restrictive practices in trade unions and nationalised industry monopolies.

Tory anti-EEC survey finds growing hostility

BY RUPERT CORNWELL, LOBBY STAFF

FEELINGS AMONG Conservative voters appear to have hardened sharply against the Common Market, according to a new opinion poll which reaffirms that supporters of continued British membership are in a distinct minority.

The survey, commissioned privately by prominent Tory anti-Marketeers and carried out by NOP Market Research, suggests that the electorate, as a whole, is firmly against British membership by a 52-33 margin, a proportion little changed from last year, but a complete reversal of the 1975 referendum result.

The findings underline the reasons for the increasingly pragmatic and hard-nosed approach to the EEC adopted by leading Conservative spokesmen, taking their cue from Mrs. Margaret Thatcher herself.

Of the major parties, hostility to the Community is most pronounced among Labour voters, by a 57-30 margin. But opposition inside the Tory Party has hardened noticeably from a 45-45 tie in July, 1977, to a 50-42 majority to-day, who say that if a referendum were held now, they would vote for pulling out.

The survey was carried out in June among 1,892 interwiewees. Hostility was strongest in the North and in Scotland, among those over 35 years of age, and among unskilled, clerical and manual workers.

Minister attacks Kent voucher scheme

PLANS BY the Conservative-controlled Kent County Council to introduce a voucher education scheme were criticised by Mrs. Shirley Williams, Education Secretary, and Left wing Labour MPs in the Commons yesterday.

Mrs. Williams warned that a national voucher scheme could *cost between £400m and £500m*. "I cannot believe this is a proper use of public money," she said.

"If we care about the standards of education of all our children the way to spend money is on more teachers, more books and better buildings and not on ludicrous administrative expenditure."

She added: "We are going to see the diversion of public *money towards the education of* a small minority and away from the vast bulk of our children."

Mr. Jeff Rooker (Lab., Perry Bar) described the Kent scheme as an example of the Tories' corporate greed and a misuse of the concepts of freedom of choice and equality of opportunity.

Mr. John Evans (Lab., Newton) claimed it was an example of the selfish and socially divisive policies of the Tories.

Mr. Bryan Davies (Lab., Enfield N.) said it illustrated that the Tories were in favour of privileged education so long *as it was only open to the* wealthy, and subsidised by taxpayers and ratepayers.

But a Tory education spokesman, Dr. Rhodes Boyson, praised the "radical thinking" of Kent County Council in introducing a scheme which increased parental choice and caused hysteria in half the Labour Party.

Mr. Dennis Skinner (Lab., Bolsover) suggested that if the Kent scheme went ahead, the *district auditor should look* closely at the large sums of ratepayers' and taxpayers' money being spent.

He wondered if Kent councillors would be disqualified, as in the case of Clay Cross councillors, "who took certain local decisions and were dealt with in that manner."

Chilean engines return 'will not be stopped'

THE PRIME Minister said yesterday that the Government *would not step in to prevent the* return of four Rolls-Royce aero-engines to their owners, the Chilean Government.

Mr. Callaghan was replying to Mr. Phillip Whitehead (Lab. Derby N.), who said in the Commons that any decision to return the engines would anger trade unionists.

The Avon engines were sent to Britain for overhaul in 1973, but their removal from storage *at East Kilbride has been* prevented by union action since 1974.

The Prime Minister told Mr. Whitehead that a decision to return the engines was not a matter for the Cabinet. "The engines were sent here for repair and now they are due to be returned as the repair has been paid for," he said.

Premier sends greetings

THE PRIME MINISTER sent birthday greetings from the Despatch box in the Commons yesterday to Mr. Nelson Mandela, the black nationalist leader, jailed in South Africa.

Miss Joan Lestor (Lab. Eton and Slough) *claimed* that South Africa House in London had refused to accept greetings on Mr. Mandela's 60th birthday sent by members of the Labour and Liberal parties and trade unionists.

Mr. Callaghan said he would like to take the opportunity on behalf of the Government to send him *birthday greetings* from the Despatch box.

Family benefit to increase

AN INCREASE in Family Income Supplement of £1.10 a week for most families will come into operation in November, Mr. Stan Orme, Minister for Social Security, said in a Commons written reply yesterday. This will be additional to the increase in child benefit coming *into force in the same month*, he told MPs.

Press reports 'misleading'

THE GOVERNMENT is concerned at the misleading impression which the Press has given to the recent report on changes in sentencing for criminal offences, Lord Wells-Pestell said in the Lords yesterday.

He agreed with Lord Allen of Abbeydale that it was ludicrous to describe the report by the Advisory Council on the Penal System as "A rapists' charter," as one newspaper had called it.

Lord Wells-Pestell said: "The Government hopes that, in due course, the informed opinions of those who have read the report will carry more weight with the public than the misrepresentations of those who clearly have not."

He added that there would be no changes until there had been consultations with people who were in a position to advise the Government, including judges.

LABOUR NEWS

Union opposition unfair, Conservatives complain

BY CHRISTIAN TYLER, LABOUR EDITOR

UNION LEADERS were accused yesterday by senior Conservatives of conducting a phoney war with the Tories and talking of "con*frontation*" when there was none.

Sir Keith Joseph, chief policy adviser, said there could be no repeat of the Tories' 1974 conflict with the miners, "because we do not propose to have a statutory incomes policy."

Mr. James Prior, shadow Employment Secretary, accused some union leaders of speaking as party politicians, not as leaders of "great organisations whose *membership* is not particularly interested in party politics."

Their pre-election counter-attack on what the party seems to see as the damaging public opinion legacy of 1974 appeared in the latest issue of a journal for Conservative trade unionists. The complaint has been heard before, but it has rarely been so deliberately expressed.

Mr. Prior named Mr. David Basnett, TUC chairman, and Mrs. Marie Patterson, president of the Confederation of Shipbuilding and Engineering Unions as two who had forecast strife with the Conservatives.

'Confrontation'

"The Conservative Party has worked with the unions in and out of government and will continue to do so. In private every trade union leader will admit there is no reason why they should not work perfectly satisfactorily with the Conservative Party."

Sir Keith said the Conservatives' policies for lower taxes, less government spending and more jobs would appeal to trade unionists. "Reiteration of the word confrontation is a political *device to distract the people of* this country from the reality," he claimed.

The Conservative retaliation follows a series of warnings by union leaders and conference delegates this summer that the Conservatives were inviting confrontation by their industrial policies. Last week Mr. Sidney Weighell, of the National Union of Railwaymen, said his union would go "back to the jungle" of a pay free-for-all if the Conservatives won, and there could be no social contract with them. He later said that did not mean the NUR would not work with the Tories.

Print unions urged to keep agreements

BY ALAN PIKE, LABOUR CORRESPONDENT

UNION LEADERS who sign agreements with managements cannot escape total responsibility for ensuring that their members honour the agreements, Sir Richard Marsh, chairman of the Newspaper Publishers Association, said last night.

He suggested that unions must if necessary be prepared to withdraw membership from members who acted in defiance of agreed dispute procedures.

Describing industrial disruption in Fleet Street as "intolerable," Sir Richard said that hardly a night passed without at least one newspaper losing a large proportion of its planned *production. Lost copies* this year had already run into millions.

Recent years had seen a massive increase in trade union power which had been matched by statute after statute giving increased protection to union members. The wheel had turned full circle, and organised labour was more powerful than management, he said.

"Whether this development be good or bad it is a fact, and it imposes very considerable responsibilities upon the union leadership." Sir Richard told the annual Newsboy-Newsgirl of the Year dinner in London.

Industrial "anarchy," a word Sir Richard has used before to describe industrial relations problems in Fleet Street, presented as great a threat to trade union members as it did to the industries which employed them.

"No experienced industrialist underestimates the size of this problem for union leaders. They have only one sanction which they can use to control their members, and that is the power to withhold union membership from those who break union rules or union agreements."

The most obvious example of the problem was where groups of union members took industrial action in total defiance of procedures agreed between management and unions.

Union leaders could not escape total responsibility for seeing that such agreements were honoured, and if their members could not accept the responsibility of union membership they should not be allowed to enjoy the benefits.

Some of the most highly *respected newspapers in the* world had their very existence threatened by financial problems, said Sir Richard. A major element in the problems of Fleet Street was the frequent failure of trade unionists to use procedures for settlement of grievances.

The winner of the Newsboy-Newsgirl award was Mark Riding, 18, of Bramhall, Stockport, Cheshire, at Bramhall High School, who received a total of £500 and a family holiday in Gibraltar. His employer is Mr. J. Bruce, newsagent, of Bridge Lane, Bramhall.

The runner-up was Caroline Rawson, 18, of Claughton, Birkenhead, Merseyside, at Birkenhead High School, who received cheques worth £225.

The third prize of £150 went to Andrew White of Belfast, a student at Belfast Methodist College.

The prizes were presented by Mr. Peter Parker, chairman of British Rail Board.

Shipowners give pay warning

By Pauline Clark, Labour Staff

BRITISH SHIPOWNERS, as victims of the world recession in shipping, will be tied to what they can afford to pay in wages rises rather than to pay ceilings stipulated by the Government, Mr. Graham Turnbull, chairman of the industrial relations policy committee of the General Council of British Shipping, said yesterday.

In a clear warning to unions, which within three months will be formulating pay claims for some 44,000 officers and cadets and 35,000 ratings in the British merchant fleets, Mr. Turnbull told a Press briefing in London on British Shipping that the tonnage surplus arising out of the shipbuilding boom of the early 1970s and the fall in world trade since then was acute and "will be with us well into the 80s."

Those considerations and the need for British ships to stay competitive would be uppermost in employers' minds in the next wage negotiations.

Mr. Eric Nevin, general secretary of the Merchant Navy and Airline Officers' Association, replied last night that his members would expect a 10 per cent deal like everyone else under Phase Three of Government pay policy.

He said that although officers received an 18 per cent increase last November, that was the result of a productivity deal negotiated on top of a Phase Two supplement. The officers, whose original settlement date was in June, would be due for a Phase Three rise in November.

Mr. Nevin attacked shipowners for criticising the International Transport Workers' Federation's attempts to harmonise EEC wages on ships. Such criticism, he said, did not help to eliminate substandard ships and exploitation of seafarers.

Mr. Turnbull said the pressure for harmonisation did not make economic sense.

Shop union drive for £55 and 35 hours

BY OUR LABOUR STAFF

UNION LEADERS for some 450,000 of Britain's shop workers are to campaign for a minimum £55 basic wage for a 35-hour week.

Lord Allen of Fallowfield, general secretary of the Union of Shop, Distributive and Allied Workers and chairman of the TUC economic committee, described the new target as a "reasonable and responsible demand for men and women who serve the shopping public."

The union's decision to demand higher wages for the low paid among its members and a shorter working week follows current thinking among TUC leaders in talks with the Government on economic and pay priorities to follow the expiry this month of the phase three pay policy.

The union, Britain's sixth largest, with membership in retail and wholesale distribution, food and chemical process industries, catering and hairdressing, is campaigning through advertisements this week in national newspapers.

It hopes to alert its members and negotiators as well as employers and non-union staff to the improvements it will be seeking.

Tractor plant strike over redundancies

ABOUT 1,100 workers at the Bradford factory of the International Harvester Company staged a 24-hour strike yesterday as further redundancies were announced.

In April, 250 employees lost their jobs after Turkey cancelled an order for 8,000 tractors a year owing to foreign exchange problems.

Now a further 174 workers from the labour force of 1,377 at Bradford and 116 at Doncaster will be made redundant in three months.

Mr. Roland Long, the company's industrial relations manager at Bradford, said yesterday that there were several reasons for the need to cut the labour force further.

These included a recent strike of clerical workers at the Doncaster plants, a strike at a key supplier of components and delay in the installation of a new assembly line at Doncaster which affected sales.

The company hoped to achieve the labour reduction by voluntary redundancies and voluntary early retirements, but workers at Bradford were concerned about the future of the plant.

Mr. Laurence Abbott, UK managing director, had agreed to address a meeting of Bradford workers within a few days to allay their fears.

Scottish TUC to hold conference on jobless

THE Scottish TUC is to call a delegate conference on unemployment to increase pressure for a shorter working week, in the run-up to a possible October General Election.

Reacting to yesterday's Department of Employment figures showing that Scottish unemployment rose last month for the first time since February, the STUC said the one-day Glasgow conference would examine the effect a 35-hour week would have in reducing the unacceptably high jobless total.

Mr. Douglas Harrison, assistant general secretary, said the possibility of an October election had been one factor in deciding to hold the conference on September 29 but that concern over rising Scottish unemployment provoked the STUC to hold the conference as soon as possible.

The unemployment register in Scotland rose by more than 4,700 since June to a total of 191,906, including 26,935 school leavers, representing 8.7 per cent of all employees.

The number of notified vacancies was down to 21,900 and both the STUC and CBI in Scotland agreed that the outlook for the rest of the year was gloomy.

Monsanto site workers walk out

THE £200m Monsanto chemical construction site at Seal Sands, Cleveland, came to a standstill yesterday because 1,000 workers walked out over fears about safety. At the company's existing chemical plant next door, 45 process workers have been laid off, including men trained in safety and rescue work.

A representative of the construction workers said they would not return until the process workers were taken back. He added that there were large amounts of propylene, ammonia, acrylonitrile and other hazardous chemicals on the site, and they did not consider it safe.

Dockyard wives in pay protest

PORTSMOUTH dockyard workers' wives gathered outside 10 Downing Street yesterday to complain to Mr. Callaghan about their husbands' pay.

"We plan to stay here and sing until we see him," said their organiser, Mrs. Patricia Stechman. "Portsmouth is Mr. Callaghan's old home town—he has known poverty himself and used to go to the soup kitchen."

Earlier, the wives delivered two letters of protest at Number 10.

The women, all of whom work to help pay the rent and feed the family, said their husbands were paid less than half the wages they would earn elsewhere for skilled work. Mrs. Stechman said her husband's pay was £32 a week.

Blacking 'cost £900,000'

A PRINTING COMPANY lost £900,000 in business turnover because of a blacking campaign by two print unions, a High Court judge was told yesterday. To ensure their own survival customers broke contracts with Huthwaite Print, said Mr. Anthony Scrivener, QC, for the company.

The company, of Sutton-in-Ashfield, Notts., is suing Mr. Joe Wade, general secretary of the National Graphical Association, and Mr. Edward Martin, national organiser of the Society of Lithographic Artists, Designers, Engravers and Process Workers, for court orders to lift the blacking.

The company claims that it is unfairly blacked as it is not part of the T. Bailey Foreman group of companies involved in a recognition dispute with the unions.

FINANCIAL TIMES SURVEY
Wednesday July 19 1978

Dutch Capital Market

Continuing balance of payments problems coupled with a sluggish economy have posed problems for the Dutch. But inflation is under control and the coalition Government is now implementing schemes for promoting investment and cutting public spending.

Activity at a low level

By Charles Batchelor
Amsterdam Correspondent

THE FORECASTS for the future of the Dutch economy have become gloomier in recent months. Apart from the considerable success in bringing down the rate of inflation, most other indicators show a bleak picture. On the credit side, however, the seven-month old Centre-Right Government is making progress with urgently needed programmes which were held up by the stalemate which paralysed political and economic decision-making for most of 1977. In the first parliamentary session of the new Government the Prime Minister, Mr. Dries van Agt, seems to have established firm control over his Christian Democrat — Liberal coalition.

The rate of economic growth over the next few years is now forecast at only three per cent compared with previous assumptions of 3½ per cent, Economics Minister Gijs van Aardenne told parliament recently. This means even greater efforts are needed to achieve economic goals. Happily the repeated warnings of the central bank president, Dr. Jelle Zijlstra, of the dangers of inflation have had their effect on policy-making and on public expectations. Holland is in the first division of the European inflation league, with *official forecasts* putting the rate at 4-4½ per cent in 1978 after 6½ per cent last year. The Government wants Holland to match its largest trading partner, West Germany, and a target of 2-3 per cent has been set for 1981.

The firmness of the guilder and the high production costs mean the picture for exporters is less favourable. The country's share of world trade will decline further this year if exports increase by the expected three per cent in volume against a background of a five per cent rise in world trade. The visible trade deficit was Fl 1.1bn ($493m) in the first four months of 1978—better than the Fl 1.6bn deficit at the same time last year but still not encouraging.

The balance of payments current account showed a deficit of Fl 1.02bn in the first quarter of the year compared with a surplus in the preceding quarter of Fl 640m and the first 1977 quarter surplus of Fl 400m. The most worrying component of this decline was the move into deficit of invisible trade for the first time since the autumn of 1975. The Central Planning Bureau has forecast a surplus of Fl 2.5bn for the year as a whole. Prospects for achieving this on the evidence so far are not good.

After frustrating months of delay while a coalition Government was put together last year, a revised scheme for promoting *investment has finally been* steered through Parliament.

Advantage

The new investment account is expected to pump Fl 13bn ($5.8bn) into industry over the next four years. This is Fl 8bn more than the existing investment allowance and accelerated depreciation facilities would have provided. The new scheme has the additional advantage of making funds available to loss-making companies.

The second major programme which is now finally making progress through Parliament aims to cut public spending estimates by Fl 10bn over the next three years. Every Government department has had to make cuts with the exception of defence. Public sector salaries will be pegged so that they rise 1 per cent less than wages in the private sector a year. Social security payments will also be held down to correct distortions which have led to a relative fall in income for many lower wage earners as opposed to recipients of disability and other allowances over the past few years. Health service spending will be restrained and patients will have to pay the first part of hospital bills and doctors' fees.

This programme, which will be debated when Parliament resumes at the end of August, is intended to switch funds into the private sector and reduce unemployment to 150,000 by 1981. There are at present 200,000 unemployed, and without these cuts this figure would rise to 255,000-280,000 in 1982. It is also intended to boost company profits.

Despite these cuts in public spending, prospects for a reduction in the Government's financing deficit are not good. The target of a deficit equivalent to 4-5 per cent of national income will not now be achieved until 1982, and the figure is then likely to be nearer 5 than 4 per cent. In the intervening period the deficit will be even higher, and it is expected to rise to six per cent next year from about 5½ per cent in 1978. The Government does not expect to be able to borrow more than 4½ per cent on the public and private capital markets. The placing of six or seven Government loans on the public market and the State's already substantial borrowings on the private market represent the limits of the Government's access to these funds. Further extension would push other borrowers, including the local authorities, out of the market.

The Government will therefore have to exceed its long-term limits on monetary financing in the short term. This form of financing—the placing of Treasury bills and drawing on the Treasury account at the central bank—is inflationary and poses risks for the Government's monetary measures. But the risks will have to be accepted, *it concludes in its* policy document.

The prolonged wrangling as the political parties attempted to form a coalition government last year put a nine-month delay on effective action to bring the economy under tighter control. At first sight the coalition which emerged last December was not in a strong position.

The exclusion from the Government of the Labour Party, the largest in Parliament, seemed to indicate that the new coalition might have a short and difficult life. The Christian Democrats and the Liberals have only a four-seat majority in the 150-seat lower house. The first months of the new government showed that Mr. van Agt would have more trouble patching up difficulties within his own Christian Democrat Party than in welding the Christian Democrats and the Liberals into a stable coalition. But he finished his first parliamentary session on a surprisingly confident note, overcoming a revolt within his own party over a plan to export uranium to Brazil and securing agreement from his ministers for the public spending cuts. Despite the growing popularity of the Christian Democrats at the polls, the powerful FNV trade union federation has expressed growing unease at Government policies. The test of the Government's skill will come later this year when negotiations for the 1979 wage round begin.

The proposal for an "excess" profit sharing bill continues its unhappy way through the Government machine. The previous Government's radical proposals have been considerably modified in the process although it still finds little favour with Dutch or foreign businessmen.

The VAD levy has been split into two parts. Companies will pay 12 per cent of "excess" profits into a fund managed largely by the unions to improve pensions, while 12 per cent will go to the workforce of the profit-making company. The two parts together will lead to a higher rate of VAD than was proposed by the previous Government. It had set VAD at 20 per cent in the first year—1977—rising one per cent a year for four years. But the collective part of VAD will now be limited to 3 per cent of fiscal profit and the individual part to 3 per cent of an employees' normal wages, so many firms will pay less than 24 per cent.

Return

VAD will still be levied after companies have been allowed a certain return on capital, comprising the yield on a packet of State bonds and a 3 per cent risk premium (2 per cent under previous proposals). Two important changes are that companies may count existing profit sharing schemes towards VAD and they can set the individual part against corporation tax. VAD is the Government's part of a deal with the unions under which they promised wage moderation. The unions claim, with some justification, that they have kept their side of the bargain.

Despite the worsening of the Dutch balance of payments position and signs of a further decline, the guilder has remained firm on the foreign exchanges. The sluggish state of the economy means that the Government and the banks should have little trouble in raising funds on the capital market. The government has a total financing requirement of Fl13.6bn ($6.1bn) in 1978, while the banks are increasingly borrowing long term funds to finance lending under the central bank's credit curbs. These curbs impose limits on lending which is funded by short-term borrowings. Prospects of a further increase in the Government borrowing requirement next year may support interest rate levels although the decline in inflation will exert downward pressure. Money market rates have eased in recent months but the decline has been less than was at first expected. Tax payments are expected to exert upward pressure in the autumn.

Bankers are watching the impact of the credit curbs closely and will hold further talks with the central bank in *September to see if any modifications* are needed in the period up to March. The banks may increase lending which is not covered by long term borrowing by only 8 per cent in the 12 months to March. This is a lower rate than was previously set, but banks can now consider savings and time deposits of two years and more as long-term borrowings.

The central bank views the present regime as an easing of the curbs but many of the banks see it as more onerous, depending on the structure of their balance sheet. As long as economic activity remains at a low level — and the signs are that there will be no marked improvement in the short term — the capital market should have no problem in financing the sizeable Government deficit. When the spending cuts and the investment programme begin to take effect the competition for funds will increase.

DUTCH CAPITAL MARKET II

The headquarters of the Amsterdam-Rotterdam Bank in Amsterdam.

Banks' margins squeezed

IN COMMON with most of the world's major banks, the big Dutch banks are having to face up to sluggish domestic demand for funds and an exceptional squeeze on their international margins. As if this was not bad enough there is the threat of a potential new competitor in the form of the planned state-owned Post Office Bank, which will result from the merger of the existing Postal Giro system and the State Postal Savings Bank. If successful, the new bank will have a nationwide network of 2,500 or so branches, which is considerably larger than the 2,000 odd branches now operated by Algemene Bank Nederland, Amro Bank and Nederlandsche Middenstandsbank (The "Big Three").

Unlike the British banks, which have the market mostly to themselves, Dutch commercial banks already face fierce competition from the 3,130 branches of the agricultural co-operative banks which are affiliated to the Co-operative Centrale Raiffeisen-Boerenleenbank (Rabobank; for short) and the 2,100 branches of the general savings banks. Both groups of banks play an important part in providing housing finance, something which is almost the total preserve of the building societies in England. The existing Postal Savings Bank has already started granting home and personal loans, and the feeling is that if its services are extended, as the Government intends, it could lead to unfair competition. As it is, the Dutch commercial banks are resigned to the blurring of edges between the various parts of the financial community. Both the savings banks and the co-operative Rabobank, which in terms as assets of $26.8bn is the second largest bank in the Netherlands, are encroaching on the commercial bank's territory. Rabobank, for instance, has recently been expanding its international business and taken a 25 per cent stake in one of the oldest Dutch merchant banks, F. Van Lanschot (NatWest owns 25 per cent). This move duplicates the moves made by ABN and Amro in 1975, when they took over Bank Mees and Hope and Pierson, Heldring and Pierson, probably the two best known Dutch merchant banks.

The commercial banks have not just sat back and allowed their market share to be eroded. They have become much more active in the savings deposit market, the traditional preserve of the savings and co-operative banks, and have also set up specialist medium-term lending institutions. Amro's vehicle for extending medium-term credit is the Nationale Bank voor Middellang Krediet, and in the case of ABN it is Maatscappij voor Krediet op Vaste Termijn.

Both Amro and ABN have also become much more active providers of housing finance in response to the competition, and this is now proving to be one of the fastest growing areas of new business for them. ABN's mortgage subsidiary is known as Algemene Bank voor Hypothecair Krediet. Last year it granted 13,000 new loans (the average sum was Fl. 107,000) and its total mortgage loans outstanding rose by a third to Fl. 3.7bn (£900m). In the case of Amro its housing loans rose by Fl. 1.2bn to Fl 4.9bn. in 1977.

Leasing

Aside from traditional areas of diversification such as insurance broking, leasing and factoring, both Amro and ABN have moved into the travel agency business, which is currently experiencing explosive growth. Amro Bank's Amro-Reizen, sold 63,000 tours in 1977, 65 per cent up on the previous year, and conservatively expects to sell at least 70,000 holidays and 6,000 business packages this year. Amro now markets its travel agency services through over 500 outlets. ABN is not quite so involved in the business, but even so its tour sales increased by 60 per cent to 40,000 in 1977—a year when there was virtually no growth in the overall tours market.

While these ancillary services do help meet the banks' rising overheads there is no denying that the banks are highly dependent on the fortunes of the Dutch economy. Last year the economy grew by 2½ per cent and the out-turn this year is unlikely to be markedly different. Inflation, which dropped from 9.0 to 6.7 per cent between 1976 and 1977, is forecast to slip to 5½ per cent in the current year. At the start of last year the demand for credit was fairly buoyant, the Dutch guilder was strong and foreign inflows helped push interest rates lower. However, in May, 1977, the Dutch authorities, worried by what they regarded as excessive credit expansion, announced that the growth of commercial bank credit to the private sector during 1977 should not expand by more than 12½ per cent insofar as such credit was not financed on the capital market. As the banks had expanded their lending to the private sector by over 20 per cent in 1976 the official curbs were quickly felt and banks were only able to expand their lending by more than *the 12½ per cent by drawing* heavily on the capital markets via rights and loan stock issues. The heavy demand for funds by the banks has increased longer term rates of interest and, because the finance is more expensive, has narrowed the banks' net interest margins and depressed profits. Last December the Dutch central bank extended the credit restrictions for the first quarter of 1978 and the permissible growth rate was 2½ per cent. It looks as if the credit restrictions will remain in force until September at least.

Against this background Dutch commercial banks have done well to continue pushing their profits higher. Over the past five years the net profits of ABN have grown by 185 per cent and for Amro Bank the growth has been 111 per cent. The smaller Nederlandsche Middenstandsbank, in which the Government has a stake, has increased its profits by 145 per cent over the same period. However, the combination of sluggish economic growth and increasing competition from the savings and co-operative banks, has meant that the scope for further sharp increases in both profits and market share by the Big Three Dutch banks is limited. In common with other international banks, they are now looking overseas for much of their future growth.

THE BIG THREE

	1973	1974	1975	1976	1977	Five-year growth %
NET PROFIT, Fl m						
Algemene Bank Nederland	82	97	186	205	234	185
Amsterdam-Rotterdam Bank ...	101	119	161	184	213	111
Nederlandsche Middenstandsbk.	40	44	56	78	98	145
SIZE, Fl bn						
Algemene Bank Nederland	29	35	50	56	64	121
Amsterdam Rotterdam Bank ...	27	34	42	50	59	118
Nederlandsche Middenstandsbk.	12	14	18	22	27	125

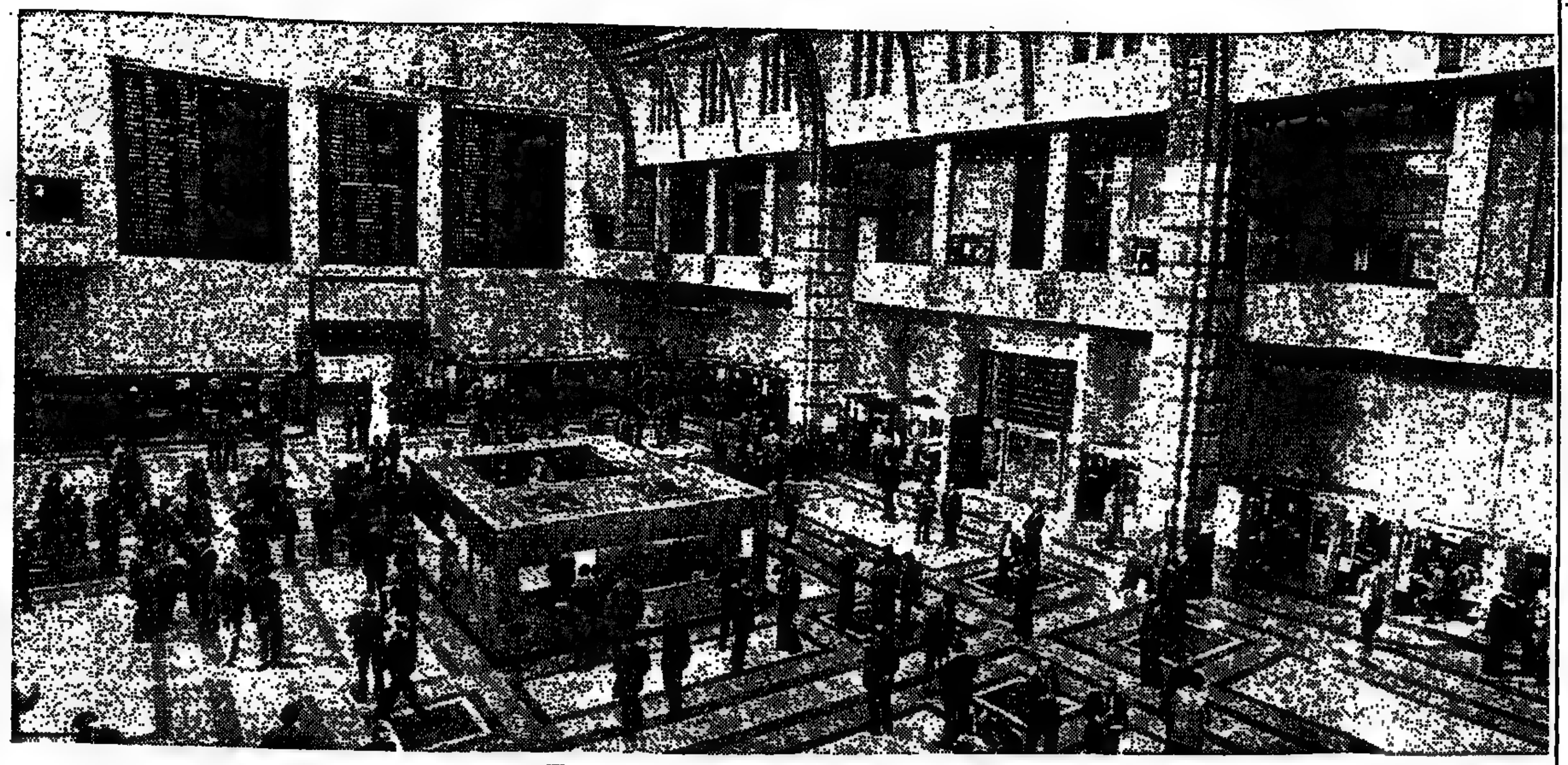
Fortunately, Dutch banks were among the first to expand overseas and consequently they are already well established. With over 200 overseas branches in 40 difference countries, Algemene Bank Nederland is by far the most important Dutch bank overseas. The bank traces its ancestry back to 1824 when King William I set up the Netherlands Trading Society, and it opened its first office in Batavia (now Jakarta). Even now some of the older traders in places such as Bombay and Calcutta still refer to ABN as the Netherlands Trading Society and in Saudi Arabia Indonesian pilgrims to Mecca often frequent ABN's three local branches. In September these three branches were transferred to Albank Alsaudi Alhollandi in line with the official Saudi Arabian wish for majority control of foreign banking ventures. ABN has 40 per cent of the new venture and has a management contract. ABN is well *represented in the Middle East* either via joint ventures or its own branches. In Iran it has a 33.5 per cent stake in the Mercantile Bank of Iran and Holland, which has 41 branches.

Apart from its widespread overseas branch network, ABN co-operates with other international banks through the associate banks of Europe group (ABECOR). Its British partner is Barclays, in Italy it is Banca Nazionale del Lavoro and in Belgium it is Bank Brussels Lambert. Aside from running joint representative offices in Mexico City, Tehran and Sydney, the Abecor banks run a common training establishment in Bad Homburg.

By contrast, Amro Bank has never had a large overseas branch network. It was the result of the merger in 1964 of two large domestic banks—the Rotterdamsche Bank and the Amsterdamsche Bank. The latter had already been co-operating with Midland Bank, Société Générale de Banque and Deutsche Bank in the so-called European Advisory Committee. This later developed into the EBIC banking club. This has probably been the most successful of all the European banking "clubs." It has spawned a host of jointly owned banks such as the European American Bancorp, Banque Europeene de Credit and the European Banking Company. Until recently Amro, in common with its European partners such as Deutsche and Midland Bank, channelled most of its international business through these affiliates. However, it is now opening its own offices in major overseas financial centres to give additional support to its customers. It opened in Tokyo in 1976 and last October established a London branch. It is planning to open in Dubai and has other overseas locations in mind. While it is still fully *committed to the EBIC "club"* Amro obviously feels that it has to have some direct overseas presence if it is to have a significant part of its profits coming from international earnings. The days when it could rely wholly on its domestic business for its future growth are disappearing.

William Hall

DUTCH CAPITAL MARKET III



The floor of the Amsterdam Stock Exchange.

The equity market

THE TOTAL market value of equity shares in Holland is around £11bn and as such represents no more than roughly 1½ per cent of the combined capitalisation of the world's stock markets. In terms of Europe alone the proportion rises to almost 7 per cent. But despite its modest dimensions the Amsterdam Bourse does house a generous sprinkling of "international stocks" and this tends to give the Dutch market something of a special flavour.

That said, the point must be made at the outset that it is a flavour currently meeting with little demand. One way and another shares like Philips, Royal-Dutch and Unilever—which has recently warned that 1978 is going to be a difficult year—are all suffering from the sluggishness of the world economy. At home, official estimates for the growth of Gross Domestic Product are being downgraded while a number of independent forecasts are taking an even more pessimistic view. Overall, the outlook for corporate profits is unexciting.

The main share price index in Amsterdam (the ANP-CBS index) hovers currently towards the middle of a trading range that goes back to the final quarter of 1976 and is roughly 9 per cent above its low for 1978. According to Capital International, Dutch equities managed a gain of 5½ per cent over the first six months of this year which, although one of the better performances in Europe, still contrasts dully with France (up 30 per cent), Sweden and Italy.

Disadvantages

The market does have a number of structural disadvantages. For a start the number of shares in issue in terms of individual listings has shrunk dramatically over the past decade. In 1968 the Bourse could boast 503 individual listings; at the end of 1977, after a period of intense industrial rationalisation (plus the odd business failure), the number was down to 249. Thus the choice of investment has narrowed significantly in a period of strong capital expansion by the major companies with the result that today the half-dozen or so leading shares account for something like 50 per cent of the total value of the stock market.

Earlier this year the construction group Adrian Folker came to the market with an issue amounting to around 10 per cent of its capital but this always looked an isolated case and the stock market remains a moribund source of capital raising. The problems largely mirror those found on most stock exchanges around the world. Equity capital is expensive in both terms of issuing costs and in terms of its effect on the future course of earnings. There are also considerable fiscal disadvantages.

At the outset anyone contemplating an equity issue becomes involved in considerable publishing costs, while the issue of a prospectus can bring to bear all manner of accountancy headaches for those companies which have been less than open in their dealing with the taxman.

Moreover equity issues have a direct bearing on earnings patterns since they involve per share calculations in dilution related to the amount of new capital floated. Finally — and perhaps this is the foremost deterrent to equity expansion at the moment — interest paid on loan capital is tax deductable, whereas equity handouts bear fully on to corporate profits.

For the most part, however, the market makers — the authorised brokers and the major banks which are also members of the Bourse—would seem to have come to terms with the realities of the situation. After all, so long as dealing volume stays above break even levels, the stock market is in no obvious danger of fading away.

The Bourse opens officially at 11.30 in the morning and closes just one hour and 45 minutes later. But pre-market trading tends to start up at around 9 am, while after-hours dealing goes on for as long as there is a viable demand for a market. In this latter respect the link up with New York in the late afternoon and the prevailing appetite on Wall Street for the Dutch "internationals" is a major trading influence.

Unlike his counterpart in London, the private investor is a major force in Amsterdam. Estimates vary but it would seem that something like two-fifths of the market is held in private hands. Investors do not have to suffer dividend controls; capital gains tax — as far as individuals are concerned — is unknown and dealing expenses are relatively modest.

The average commission works out at around 0.8 per cent of the amount invested. The basic sliding scale of charges laid down by the Bourse is 1 per cent plus Fls 3 contract note commission on transactions up to Fls 20,000: 0.8 per cent on transactions up to Fls 200,000: and 0.7 per cent on any larger amounts.

The profit margins on turnover are narrow and in fact most of the banks claim to lose money on their equity operations. Average dealing costs for a bank amount to something like 1 per cent including tax, rising to 1¼ per cent for deals of under Fls 20,000. Minus heavy overheads in fixed assets and analytical backrooms (which the banks seem to find a necessary adjunct to prestige) the brokers would appear to make a satisfactory living.

Uncertain

Looking ahead, the tenor of the market is uncertain. With inflation slowing and no particular currency uncertainties arising from inside Holland, the broad economic picture for the industrial and commercial sector contains grey areas rather than insidious black spots. Generally speaking, if corporate profits are unexciting they are at least continuing to point upwards. Much depends on coming wage rounds but some financial institutions are beginning to think in terms of comfortable earnings improvements for most of Dutch industry this year.

Labour costs grew last year at a markedly slower rate than in 1976 when unit labour costs advanced by 4½ per cent. An extension of this trend — and some predictions see unit labour *costs climbing by less than 1 per* cent in 1978 — would help to underpin confidence.

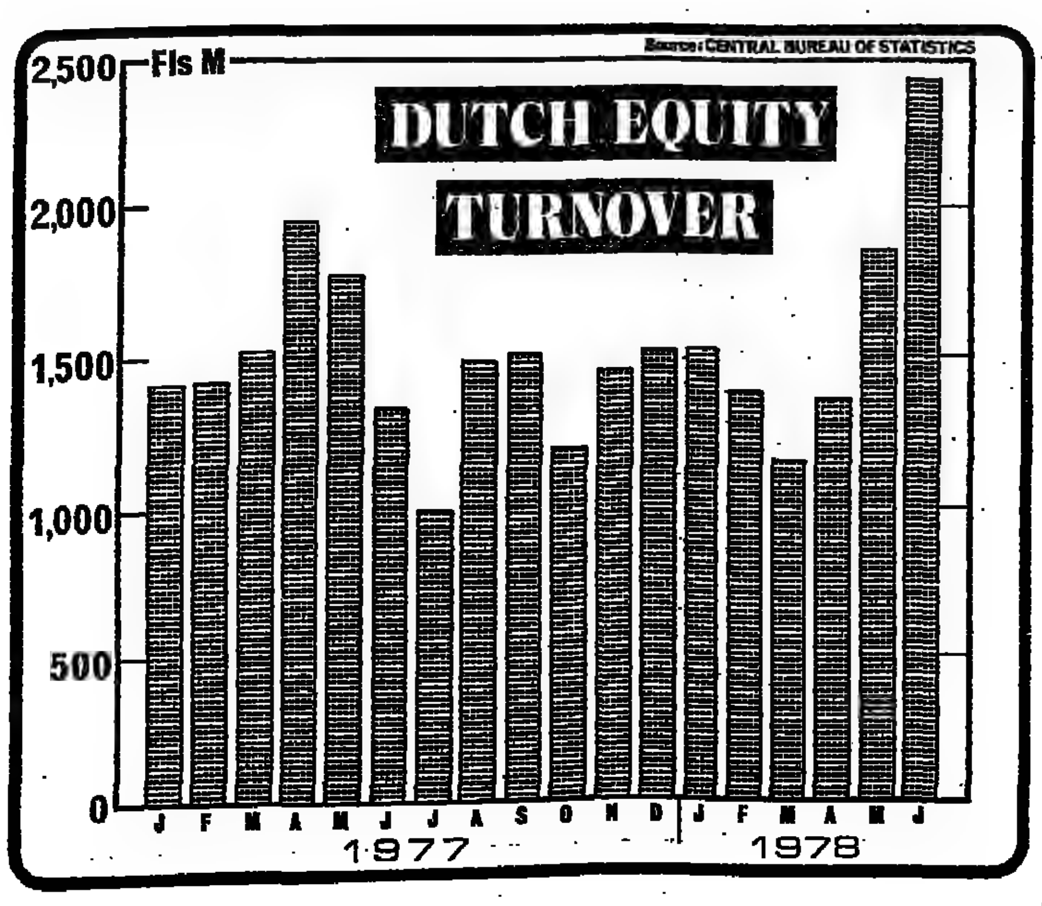
The first quarter performances of the three major industrial companies have not, however, done much to inspire confidence. Net incomes at Philips and Unilever dropped by 18 per cent and 12 per cent respectively while at Royal Dutch bottom line figures practically disappeared under the impact of the depression in the world's oil markets.

A dip of 4 per cent in net sales at Royal Dutch was transformed into a 5 per cent setback for total revenues. But the marginal nature of the group's business was reflected dramatically once its huge operational gearing had taken effect. Pre-tax profits were more than halved and net income emerged at just £6m compared to £416m. The result represented an improvement on the fourth quarter of 1977, but it is clear that the outlook remains troubled.

Sales gains of 3 per cent on a cash basis at Unilever masked a disappointing drop of some 2 per cent in volume terms. Moreover, for the first time in a very considerable period, operating margins slipped below *5 per cent, while the group's* net margins were down to under 2 per cent. The areas of strength remained outside Europe and North America, and in them net margins of almost 5 per cent — some 2½ times the group average — underpinned sharp advances in earnings.

At Philips volume sales moved up by 7 per cent during the opening three months of the year. But currency fluctuations bit deeply *into the group's* domestic operations and this was the main cause of the overall profits decline; gross margins narrowed by almost a quarter to 5.8 per cent.

Jeffrey Brown



DUTCH CAPITAL MARKET IV

Insurance in good order

DIFFICULT AS conditions have been for Britain's underwriters in recent years, the problems of the Dutch insurance industry have been even more intense, caught as it has been between the pressures of a sluggish economy and Government control over premium rates.

Such have been the difficulties in their domestic market that the larger Dutch groups in the field have tended increasingly to look abroad for expansion and important contributions to profit. In some cases, diversification has even taken place outside the insurance industry in order to reduce dependence on the basic business.

Such moves to broaden the character of the companies' businesses have paid off well in the recent difficult times and the net result of the strategies followed has been that the Dutch insurance companies mostly emerged in good order from last year's trading, having been able to make sufficient progress outside the field of underwriting in Holland more than to offset the disappointments there. Progress was often mainly due to buoyant investment income — always a vital element in insurance group earnings — along with good trends on the life side of domestic operations and in business of various kinds overseas.

Now, as the industry advances through 1978, there are modest hopes of a better trend on the important basic underwriting side, since certain increases in premiums have been permitted, though not on the scale the industry thinks necessary to give it a reasonable return on its business in the home market.

Just how intense the squeeze on underwriting in Holland itself was last year is shown by the experience and comments of some of the big groups.

Nationale-Nederlanden, the largest group in the Dutch insurance industry, has referred roundly to the "distressingly poor results in the entire market (which) underscored the need to put business on a sound basis again."

Commercial Union Assurance, the big British group which owns Delta-Lloyd, one of the larger Dutch insurance companies — an interest it bought for £27m in 1973 — has been equally outspoken. Having noted that the CU group's poor underwriting results for Western Europe (a loss of £19.9m in 1977 against one of £17.4m in the previous year) were largely due to underwriting losses in the Netherlands, the chairman, Sir Francis Sandilands, continued in his recent annual statement: "All classes were unprofitable and in the main this was due to inability to obtain adequate increases and to an undisciplined market. About half the total loss was in the motor class." He added that significant rate increases for 1978 have been approved for a number of major classes of insurance and that "in the light of deteriorating results, market discipline appears to have improved." However, no rapid improvement in results was expected.

Losses

Probably about 70 per cent of the CU's £19.9m underwriting loss in Western Europe was accounted for by Delta-Lloyd's loss last year, while losses of other CU interests in Holland were responsible for another 15 per cent of the loss. This meant that the Dutch business contributed as much as around 85 per cent of the £19.9m underwriting loss in Western Europe. However, it must be remembered that considerable investment income accrued to the CU from its insurance business in Holland and that, under Dutch practice much of this income — shown separately in British accounts — would be counted in the underwriting result, producing a more favourable picture.

Over the past year or so, the Dutch insurers generally have addressed themselves to their underwriting problems in a much more energetic and co-ordinated manner. Previously, premium rates had become what the industry regarded as very seriously inadequate. To remedy this, firms got together last year and concentrated on seeking a more organised system for calculating needed increases and urging them on the Government authorities concerned with price control.

There has also been more recognition of the need for some of the previously cut-throat competitive attitudes to be abandoned, since these also put pressure on rates in a way which ultimately helped none of the companies.

This is how the Board of Nationale-Nederlanden expressed the matter in its 1977 annual report: "After years of disappointing results, the non-life insurers in the Netherlands have realised that the situation can no longer continue as it is, and have recognised the need for a return to common sense. A survey has shown how rapidly operating results have been declining . . . Attempts are now being made along three paths to restore the non-life insurance sector . . . to health. A study has been instituted concerning the establishment of a joint central advisory body to provide the data required . . . to constitute a basis for setting rates.

"Healthy market conditions are being promoted and these can only be achieved if the industry, while fully recognising the need for free competition, nevertheless adopts a more orderly approach. Rules are (also) being formulated for price consultations with the Government."

After lengthy discussion, and some delays due to the prolonged Government crisis, increases of some 15 per cent were officially permited in fire premiums before the end of last year, and further rises of the same order have been authorised on the rates for Dutch motor insurance, in two instalments, from January 1 and July 1 this year. Other rates have also been raised. All these moves have injected a greater spirit of hopefulness into the business.

Reasonable

Despite the problems in the domestic non-life market, however, companies have been able to present reasonable results from their total business. Nationale-Nederlanden increased its total net profit by 15 per cent to Fl 205m (£49m) in 1977. Thanks largely to the business outside Holland, its non-life results emerged with a marked improvement to a profit of Fl 49.4m (£11.8m), against Fl 21.2m previously, with the Dutch fire business pulling out of the red, though the domestic motor business, awaiting higher rates, incurred an increased loss. Investment income was modestly up.

In Britain, N-N owns Orion Insurance, a specialist in marine and aviation business, which contributed substantially to its parent's profit. Other interests of the group in the UK are Life Association of Scotland and Merchant Investors Assurance, which was bought from United Dominions Trust in 1976 and which has a unit-linked life and pensions business. In 1977 Merchant Investors expanded rapidly, its premium income rising by 126 per cent to £12.6m.

Some 37 per cent of N-N's revenue in 1977 came from activities outside the Netherlands, compared with 32 per cent in 1976. Expansion nationally and internationally continues, and the group recently raised £30m through a rights issue to reinforce its capital in this connection. Last year, the group acquired the bulk of the U.S. company Security Life and Accident, a life company based in Denver, Colorado, to add to its two other interests in the U.S. life business, Wisconsin National Life and Midwestern United Life. It also raised its stake in Peerless, an American non-life insurance company, to 80 per cent. In Europe, two Belgian financing companies, Sodefina and the now-renamed Sodecrédi, were taken over to enlarge existing interests in Belgium, while new offices were opened in Spain, Saudi Arabia and the United Arab Emirates.

Ennia, the insurance group whose overseas interests include a British subsidiary, the former Triumph Insurance, has recently increased its capital as part of a plan to broaden its activities. A placing of depositary receipts to raise Fl 20m (£4¾m) has been carried out by an international banking syndicate and is increasing the company's capital by 10 per cent, much of the addition being held abroad. After a 20 per cent increase in profit last year to Fl 42.9m (£10.6m), the group—which also has interests in the Western hemisphere and the Middle East and which operates beyond insurance in such fields as personal loans and property development—is looking for a further rise in profit in 1978.

AMEV, another of the larger groups, which conducts insurance business through its Utrecht subsidiary in Britain and elsewhere in Europe, has also recently raised cash through a Fl 5.5m (£1.3m) rights issue and is forecasting a 15 per cent rise in earnings this year after an increase in 1977 to Fl 71.4m (£17.0m).

The company, which earlier this year completed the acquisition of Time Holdings, of Milwaukee in the U.S. is to bid Fl 10m (£2.4m) for the Dutch agricultural property group Dordrechtsche Landbouwonderneming. Outside insurance, it holds a 9 per cent stake in the British concern Combined English Stores and, in partnership with Combined English, owns Combined European Retailers, a stores business which operates on the Continent.

Amfas, a somewhat smaller group whose net profit rose 18.8 per cent in 1977 to Fl 29.4m (£7m), has made the point that its non-insurance activities improved considerably and life insurance produced a favourable profit, while accident insurance produced lower results than in 1976. The company, which last year launched a mortgage bank, has predicted further sound profit and turnover growth this year.

Margaret Reid

Tight control over the money market

THE DUTCH authorities have kept tight control over their domestic money market recently and have tended to pursue a rather cautious policy as the guilder has lost some of its attraction when compared with its powerful partner the West German D-mark.

In order to exercise control over the domestic money situation the Netherlands Bank operates direct limits on lending by commercial banks. Restrictions were introduced in May last year, limiting credit growth for the year to 12½ per cent, while in the first quarter of this year lending was allowed to grow by only 2½ per cent, or at an annual rate of 10 per cent.

In April the arrangement was extended for a further 12 months, allowing an annual growth rate of 8 per cent.

This is somewhat misleading, however, since savings deposits and time deposits of at least two years are now regarded as long-term borrowing and therefore fall outside the restrictions, which only place limits on the growth of lending not financed by the banks' own funds or long-term borrowing. As a result the apparent reduction of the credit ceiling to 8 per cent represents very little real tightening of credit.

The restrictions have not produced any great upward pressure on interest rates, and indeed this was probably never the intention, since it would hardly be official policy to choke off the little recovery in industrial output that has taken place.

Demand for credit has been at a generally low level during the past few months, and this has encouraged a moderate easing of interest rates. Money market conditions have improved, although earlier this month there were signs that demand for money for holidays, coupled with tax payments, were giving rise to a hardening of rates.

In contrast, on June 26 the call money rate had been cut to 1 per cent from 3 per cent. This was the lowest level since September last year, and was the result of increased liquidity caused by Government disbursements to local authorities.

During the early part of July call money in Amsterdam has been at about 4¼-4½ per cent, still above the annual rate of inflation but a distinct improvement from the opening months of the year.

Funds flowing into the Treasury, partly through heavy tax payments, created tight conditions in January and February, leading to intervention by the central bank.

Money market conditions are often difficult in London around that time, for the same reason, but in the case of the Bank of England intervention in the money market is made through an intermediate group. This is made up of the 11 discount houses, who act as a buffer between the major banks and the central authorities. Support or guidance to the market is given through this group. If large help is required then the Bank of England will give it by buying various types of UK domestic bills held by the houses. This in turn increases liquidity in the entire banking sector, but in Holland, as in most other countries with a financial centre, no such group exists, and the Netherland Bank must intervene directly with the commercial banks.

Relieve

In January the average cost of day-to-day funds was 5.11 per cent, and this rose to 5.42 per cent in February. On several occasions the central bank sought to relieve the situation by making available special advances to the banks, and in the following months conditions did improve.

By March the day-to-day rate had eased slightly to 5.27 per cent, falling to around the present level of 4½ per cent by early May.

During April the central bank discount rate was cut to 4 per cent under the influence of some deceleration in the rate of inflation, more stable conditions in the foreign exchange market, and the need to induce some improvement in economic growth.

The discount rate had been lifted to 4½ per cent from 3¾ per cent in November, at a time when the weakness of the dollar and hence severe upward pressure on the D-mark were putting uncomfortable strains on the European currency snake.

Holland has probably felt that the benefits of being tied to one of the world's strongest currencies, the D-mark, outweighs the disadvantages, but it does tend to be something of a double edged sword.

The key to the whole situation is inflation, as many countries have discovered when they tried to remain members of the snake while suffering from a substantially higher inflation rate than the present members.

It is a matter of remaining within a virtuous circle, and not letting conditions deteriorate into a vicious circle situation, even though there is a temptation to ease monetary conditions for political reasons as a short-term panacea for unemployment. Britain has found this out to its cost in the past.

Moving in line with the D-mark has great benefits from the point of view of reducing the cost of imports, thus helping to keep down inflation, but it can produce problems over the competitive position of industry and over obligations to intervene in the foreign exchange market to maintain snake parities at times of currency unrest.

Speculative currency movements can create excess liquidity problems in domestic money markets, and this is probably part of the reasoning behind the relatively cautious attitude adopted by the Dutch authorities.

Although a slight easing of money market conditions has been encouraged the problems have not gone away. The rate of inflation, although comfortably low by the standards of many countries, is still higher than in Germany. The Dutch inflation rate at mid-June was running at an annual rate of 3.5 per cent, while German inflation is 2.7 per cent.

A move to combat this and cut unemployment was announced at the end of June. Public spending cuts totalling Fl 10bn (£2.4bn) are to be made up until 1981, mainly through limiting pay rises in the public sector.

Monetary expansion has become less of a problem. On the wider definition it came down to 14.1 per cent in the last quarter of 1977, from an annual rate of 20.2 per cent in the third quarter, and continued to decline in the early months of this year. The narrowly defined money supply (M1) eased to 10.5 per cent in February, as against 10.9 per cent in January.

At the same time foreign interest in guilder investments tended to decline from the high level seen in the first half of last year, while the guilder weakened against the D-mark, and this also tended to produce tighter conditions in the short end of the money market.

This situation has now been eased, but the new bout of currency unrest could produce further problems. The weak position of the Belgian franc within the snake has already led to suggestions of higher interest rates in Belgium.

As a member of the joint float agreement Holland is unlikely to be untouched by these problems or those connected with the setting up of a new European currency bloc.

This apart, the money market is generally expected to remain fairly comfortable for the next few months, and new foreign interest in guilder investments may occur given the higher yields when compared with similar investments in Germany.

Colin Millham

Mortgage lending settles down

HOLLAND'S MORTGAGE banks form a distinct and interesting corner of the country's banking scene, although the bulk of the mortgage lending market is serviced by a wide range of other institutions. Pressure on space by a population of nearly 14m., particularly in the crowded middle and west of the country, means the housing market is subject to a high degree of control by the local authorities and central government. The explosive growth of business seen in 1977 is unlikely to be repeated in this or the next few years. Mortgage lending will nevertheless remain an important source of income and growth for the specialised mortgage banks as well as for the universal banks and other institutions.

Official figures of the share of the market taken by the different institutions do not give a very precise picture of the respective roles of the specialised banks, the universal banks, the Post Office Savings Bank and insurance companies. Informed estimates from inside the industry however give Centrale Rabobank, the agricultural co-operative, the lion's share with about 30 per cent of the market. The universal banks follow with about 23 per cent, then come the specialised mortgage banks with 20 per cent. The savings banks have around 10 per cent, with the fast growing Post Office Savings Bank accounting for about two thirds of this. Insurance companies have an estimated eight per cent of the market with the rest being shared out among a number of regional mortgage funds and other smaller institutions.

The three main independent mortgage banks achieved record rates of growth in 1977. The largest, Westland-Utrecht (WUH), took eight per cent of the Fls 42bn ($19bn) market for new mortgages last year. Its mortgage portfolio rose to Fls 8bn from Fls 5.5bn the year before and profits were 52 per cent up at Fls 46.4m ($20.8m). The housing sector accounts for 65 per cent of WUH's portfolio but it has been expanding its project development activity in recent years and has ambitious plans to increase its operations through out Europe.

The Friesch-Groningsche mortgage bank (FGH) increased its portfolio by 50 per cent to Fls 3.9bn and saw profits rise by 56 per cent. The FGH has switched the emphasis of its business in recent years from housing to commercial property and this now accounts for more than half of its portfolio. It too has built up its property development business.

Credits

The Tilburgsche Hypotheekbank is the smallest of the three independents but it too achieved a strong expansion of its portfolio last year by Fls 195m to Fls 535m. Net profits rose 80 per cent. Tilburgsche has been increasing its housing mortgage activity at the expense of the commercial sector. Unlike the other two independents it has a strong regional bias, doing a lot of business in the province of North Brabant.

The recently introduced central bank curbs on the granting of credits have had the desired impact. The bank last year introduced limits on the growth of bank lending which was not financed by long-term borrowing. Since nearly all of the specialised mortgage banks' lending was traditionally "long" they were better placed to meet the high level of demand than the universal banks. Now that the central bank has eased the curbs, the specialised mortgage banks are already experiencing some flow of business back to the other institutions.

Competition is tough given the number of companies active in the mortgage market and margins have come under pressure in recent months. Compared with the UK mortgage market, where the large building societies tend to present a common front, the house purchaser in Holland can choose from a variety of offers with a good spread of interest rates prevailing at any one time. Lending rates are often adjusted by a few percentage points a week as the different banks react to demand, the competition and borrowing rates on the capital market.

Lending rates may fluctuate at short notice but are more commonly fixed for the first one or five years of the mortgage's life. After this time they are then re-adjusted to the prevailing rate for a further one or five years. This competition means mortgages of up to 125 per cent are available to house buyers. The rates do not tell the whole story, however, and some banks set limits on the size of mortgage they will give on older property, or on flats.

The mortgage banks' usual means of raising funds is by borrowing on the private capital market and by placing mortgage bonds on the public market. WUH more than tripled its mortgage bond placement in 1977 with the issue of Fls 1.75bn worth of "*pandbrieven*." Total borrowing by WUH was more than double the 1976 level at Fls 3.12bn. The mortgage bank subsidiary of the Centrale Rabobank raised Fls 2.46bn on the private capital market compared with only Fls 331m the year before. It placed Fls 448m of mortgage bonds (Fls 137m in 1976).

Holland's success in bringing inflation down to nearly 4 per cent this year should ultimately lead to lower rates of interest. But after several months of liquid capital markets, conditions seem set to grow tighter in the near term, partly under the influence of higher rates of interest in the U.S.

Average house prices rose 24 per cent last year following a similar rate of growth in 1976. This prompted the central bank to introduce credit curbs which have now been extended until next March, although a review will be held in September. Ironically, the mortgage banks have been the ones to benefit from these curbs, although the authorities have achieved their goal of promoting more long-term borrowing by the banks. The curbs, the cut in the rate of inflation and proposals to introduce inflation accounting have put an end to these excessive rates of growth.

Mortgage bankers now expect house prices to be unchanged in 1978; there are even signs of a fall. Asking prices are holding steady but purchasers are now succeeding in knocking 7 per cent or 8 per cent off compared with 2 per cent or 3 per cent in more normal times.

The impact of the sluggish economy on incomes and on levels of unemployment has also cut demand. First-time buyers who might have been interested in property around the Fl 160,000 range are now unable to enter the market and much of current mortgage demand is from houseowners trading up. Average existing house prices are Fl 210,000 to Fl 220,000, while new property is around Fl 190,000. This discrepancy is due to Government subsidies on new housing and the artificially low land prices set by local authorities.

Proposals to introduce inflation accounting have, to the surprise of some mortgage bankers, had an unexpectedly strong impact. The publication of the 350-page "Hofstra" Report in February, recommending that Holland introduce inflation accounting, provoked a sceptical reaction from many bankers. The new Government appeared unenthusiastic and much of the urgency of the plan had been removed with the fall of inflation to under 5 per cent from the 10 per cent existing when the report was commissioned in 1975.

Among the detailed proposals contained in the report is the adjustment of interest income and payments for inflation. This would substantially reduce the tax relief on mortgage repayments allowed to house-owners. The bankers did not—and still do not — give the plan much hope of ever reaching the statute book. The general public obviously did and the mortgage sector is now ruefully assessing the damage of the "Hofstra effect."

If the Government's activities throw an occasional scare into the market, the local authorities are a perpetual source of alarm for the mortgage bankers. They recognise that social justice entails some degree of control over scarce building and living space — particularly in the Rotterdam, The Hague, Amsterdam, Utrecht conurbation. But the degree of control and the slowness of an often inefficient bureaucracy ultimately do not serve the low-income family's interests either. A 10-year delay between demolition of old property and the completion of redevolpment is not uncommon.

The mortgage banks, in their role as property developers, also complain of the number of departments which have to be approached for approval for building plans. The slowness of the process delays the freeing of land for building and creates scarcity. This, and inflation, push up prices further, they argue.

Rules

An increasing number of local authorities, including Amsterdam and nearby councils, will not allow outsiders to move in unless they have a job within the community. These rules apply only to property up to a certain price, but the latter forms the bulk of the market. The aim is to stimulate the growth of well-balanced communities and prevent the growth of dormitory towns. This tends to reduce the effectiveness of Holland's excellent network of motorways and railways as a stimulus for economic development. And it is a further hindrance to the functioning of the badly imbalanced labour market.

Owner-occupiers at present account for only slightly more than 40 per cent of the Dutch housing market. This is a much lower figure than in most of Holland's near neighbours and is recognised as so by the Government, which has set a target of 65 per cent owner-occupancy by 1990. Many rents are uneconomically low but new property tends to come on to the market at more realistic rates. The annual rent review which sets Government-approved norms for nationwide increase is also gradually reducing the cheapness of renting compared to ownership. Rents are due to increase 7 per cent in 1978, the same rate as last year.

Holland, in theory, solved its housing shortage in 1974, although much remains to be done to improve the quality of existing dwellings. House completions rose by 4,000 to 111,000 in 1977 although housing starts fell by 10,000 to 109,000. The signs are that housing starts will now stabilise around this level over the next few years. But these apparently unpromising figures conceal the trend to house ownership. More than half of the 1977 completions were for the owner-occupiers, while two thirds of the housing starts were in this sector.

Holland's mortgage banks are now adjusting to a slower rate of growth than they have seen in the recent past. But the long-term prospects are good. The potential for increasing home ownership is large and owner-occupiers are proving very ready to borrow more funds for home improvements. Should Holland prove too small, the mortgage banks are preparing to expand into the rest of Europe and beyond.

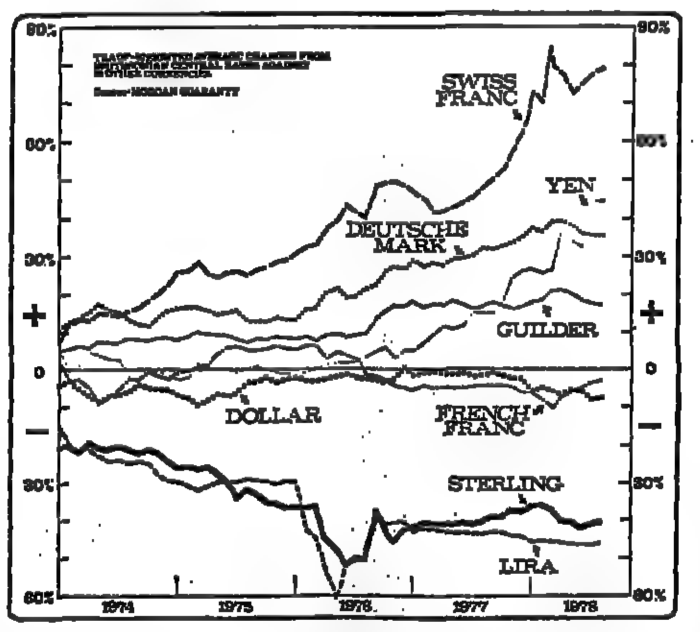
Charles Batchelor

Foreign exchange markets in turmoil

THESE ARE traumatic days for foreign exchange dealers. Over the past year the world's currency markets have been in an almost constant state of turmoil as the dollar has alternately rallied and lapsed in a steepening downward curve. A year ago the American currency stood at something like 270 to the Japanese yen and just under 2.50 to the Swiss franc: at present, and in dramatically fluctuating markets, these rates stand closer to 200 and 1.80.

In foreign exchange circles in Holland the polite word for this sort of market upheaval is "unrest," and in some ways it typifies the pragmatic approach with which dealers in Amsterdam set about their business. Much of this is conventional in the sense that it deals with foreign trade transactions. But non-guilder turnover on the Amsterdam and Rotterdam markets is just as important as domestic activity, as the number of foreign banks active in the foreign exchange market testifies.

The main market is based in Amsterdam where nine Dutch banks have active dealing rooms. These include all the major banks, and two of them, Amsterdam-Rotterdam Bank and Algemene Bank Nederland, have similar if slightly smaller operations in Rotterdam. Slavenburg's Bank also operates from Rotterdam. All the foreign banks are based in Amsterdam; there are six, two American, two British, one French and one Japanese.



Expertise

Markets open sharp at 9 am and spot currency rates are fixed five days a week with the central bank at 1.30 pm. Depending on the intensity of activity — and Amsterdam is no exception to the general rule for foreign exchange markets that days of absolute idleness are interspersed with periods of pandemonium — most dealers start reaching for their hats around 6.30 in the evening.

Broadly speaking the market breaks down into two main areas of trade, spot and forward markets. There is a third area, the so called forward-forward market, but this is largely outside the general run of day-to-day operations.

Bank expertise in either spot of forward markets varies widely, partly because of tradition — some banks have always tended to concentrate their efforts at one of the other ends of the currency scale — and partly through personalities. A good spot dealer does not make a good forward dealer and vice versa: patterns of temparement in a foreign exchange dealing room tend to have a major influence on the type of trade undertaken.

Spot dealers need to be especially flexible, taking instant decisions almost by instinct. The risks are enormous. Most transactions fall in the $2m-$3m range and a young man — for this business is indeed a young man's business —needs to be remarkably level headed to stay one jump ahead of ulcers or a nervous breakdown. Team spirit is a key ingredient of any foreign exchange dealing room and this is nowhere more apparent than in the spot markets.

If the financial risks in forward markets are less apparent the underlying pressures are just as real. Perhaps the most apt description of a good forward dealer is "strong minded" for there is an overriding need for positions to be closed, regardless of the amount of time left standing, once any kind of a profit is shown. At the very minimum, a forward dealer has two weeks in which to close his position. The bulk of transactions take place within a range of two weeks—or half month as the Amsterdam market prefers to call it — to 12 months. For dollar-guilder dealing some banks are prepared to extend their forward operations for up to five years.

Unlike some of its financial counterparts elsewhere in Europe, the Amsterdam market has never been involved in a foreign exchange scandal. If a bank has come close to being "in difficulties" the experience has never been made public: the central bank keep a regulatory eye on the market through its insistence that the banks report their positions twice a month.

The central bank is of course the buttress of the foreign exchange market, but it remains remarkably unobstrusive. It will occasionally intervene directly but only at time of hectic activity when there is a need for someone to rub off the sharper edges of currency fluctuations. For the most part it is simply there—a calm, impassive umpire letting the game be played to the full.

Link

Not that the Dutch banks would imprudently call their foreign exchange business a game. Round at Pierson Heldring and Pierson visitors to the dealing room are assured that the system is in no way akin to the casinos of Monte Carlo.

The nerve centre of the foreign exchange operations at Pierson (which is the merchant banking arm of Amro Bank) contain seven impressive individuals. At the top of the pile is an overall manager who co-ordinates two spot dealers, one dealer in forward dollar-sterling (cable), two deposit dealers and one "customers' man." The latter is the professional link between the principal customers and the house dealers.

As for the currencies dealt in, there are six major counters, the dollar, French and Swiss francs, the yen, the Deutschemark and sterling. Views on the outlook for the guilder tend to be far less polarised than those of most currencies. Siting as it does towards the outer fringes of the European hard currency club, the guilder looks placed to give the Dutch central bank little cause for alarm.

One or two doubts are being expressed over the Government's forecasts for the balance of payments surplus this year. But whatever the upshot no one is expecting anything other than a comfortable surplus, and all the while the inflation rate continues to decline. This in Holland is now down to around 4 per cent and far less noticeably out of line with the country's main trading partner (West Germany) than was the case a year or so ago.

During recent weeks independent reviews of the Dutch economy have indicated that gross national product could grow by between 2½ per cent and 3 per cent in the current year compared to a rise of 2.2 per cent during 1977. At the same time, official medium-term expectations have been modestly watered down to an annual growth rate of around 3 per cent. Thus unemployment is likely to remain a major problem. This could make life difficult for the Government, which at the moment is managing successfully to tread the tightrope between tight monetary policy and labour unrest.

The central bank has reaffirmed that its credit policy is designed to maintain the growth of the money supply at 8 per cent during 1978—compared to the dangerously high 15 per cent expansion undertaken in 1976.

Jeffrey Brown

New options exchange

THE European Options Exchange (EOE) is at a difficult stage of its development. For the sceptics its limited success is confirmation of their view that option trading would not take root in Europe. For its supporters the present level of business is a solid base on which the success of the project can slowly be developed.

The EOE continues to be dogged by the problem of persuading the various national regulatory bodies to reduce their barriers to across-border option trading. The need to give depth to the market by attracting more market makers and floor brokers is the main obstacle facing it. But the success of the listing of the options of the Dutch airline KLM is perhaps a taste of the market's potential.

KLM has been the success story of the EOE. The underlying stock is traditionally highly volatile and it has long been a popular share with U.S. investors. When it announced it would pay a dividend on the 1977-78 year after a seven-year gap trading really took off and it has regularly topped the list of most traded options.

The day after the presentation of the airline's annual report and the announcement that it had started the current year well, trading increased sharply and the EOE was forced to limit dealings in the options. It banned the writing of new options for some of the most active series and restricted the size of transactions for public account. Following several quiet days on which trading volumes fell back to the 500-600 contract level turnover rose to 1,100 on July 5—the day of imposition of limits—with KLM accounting for half of the total.

Before it opened on April 4 last, the EOE carried out extensive studies of shares on European and U.S. stock exchanges likely to provide the most attractive options. It began with nine useful and solid names which—with the exception of the three UK stocks—provided moderate levels of turnover but which lacked any real "sex appeal." Royal Dutch, Unilever and Philips as well as the three initial U.S. stocks—General Motors, Eastman Kodak and IBM—met all the necessary conditions for option trading. The shares are widely held and actively traded on their home markets and the quality of information provided about their activities is high. But some of the later listings—particularly of the two banks, Amsterdam-Rotterdam Bank and Algemene Bank Nederland, and of the Nationale Nederlanden insurance group—have not provided much turnover.

The EOE is now moving away from the blue chip stocks to the second line companies which it is hoped will attract more interest. It held back for a long time from listing the chemical group Akzo and the steelmaker Hoogovens because both have been making losses over the past few years and have had to pass their dividends. Both companies are hopeful of a recovery in the not too distant future. If and when it comes, its impact on the share prices and the options could be dramatic.

Joint

The EOE was originally meant to be a joint venture between the stock exchanges of Amsterdam and London. The plan for twin trading floors fell through and Amsterdam pressed on alone. When London realised that the Amsterdam venture would get off the ground, a much more restricted options market was set up on the London exchange. This failure to set up a joint operation has led to strained relations between the two exchanges, although Dr. Bert Scholten, managing director of the EOE, is hopeful the two exchanges will co-operate in the end. Problems in getting up-to-date prices for the underlying UK stocks—ICI, BP and GEC — have prevented trading in these options, however.

The need to share costs —initial investment in the EOE was Fls 12m ($5.4m) — and the difficulty in sustaining two "European" exchanges alongside each other mean some form of co-operation is likely, according to the EOE. As the Amsterdam exchange expands to list the options of shares quoted on other European stock exchanges London would run the risk of becoming increasingly isolated in listing only UK stocks. Shared commissions would be one possible way of bringing the two exchanges closer together.

While the EOE hopes for closer links with London it is also negotiating with the authorities in France and West Germany to enable it to list stocks from those two countries. German banks have been held back from becoming members of the EOE because of legislation dating back to the 1930s which makes them liable for clients' losses on futures markets. These talks are expected to take some time and the EOE is now hopeful that French stocks will be the next to be listed. It already has four French broking firms in various categories of membership.

British brokers were initially reluctant to become direct members of the EOE, although two, Joseph Sebag and W. I. Carr and Sons, were represented through offices abroad. Talks with the Bank of England and with the Board of Trade established that the investment dollar premium would not have to be paid on UK options and that a special licence would not be needed under the Preventions of Fraud Act. W. I. Carr and Sons, Joseph Sebag and Phillips and Drew have now become public order members in their own right and three more applications for membership from UK firms are being considered.

The EOE took its inspiration from option trading in the U.S. It must now establish its position with the Securities Exchange Commission (SEC) which oversees option trading on the five US option exchanges. The moratorium imposed by the SEC on any extension to option trading in the U.S. means no immediate action can be taken but it is important for the EOE to gain SEC approval. There are limits, though, to the extent to which the EOE would be prepared to go.

It is not anxious to compromise its independence by accepting too much SEC interference and it is unlikely that the Dutch Finance Ministry, which ultimately surpervises the EOE's activities, would welcome it either. But until the EOE is at least registered with the SEC its options cannot be offered to the U.S. public. The EOE has high hopes of attracting a substantial amount of business from the U.S. private investor.

Despite the lack of familiarity of investors in Holland with the idea of options trading the private investor has accounted for about 40 per cent of the EOE's business—a level comparable with the U.S. exchanges. Some traders even report that the public accounts for up to 60 per cent of their business.

Hinges

The success of the EOE in appealing to the smaller investor hinges to a great extent on the reaction of the Dutch banks to the options market. While the Nederlandsche Middenstandsbank has been very positive some of the others, notably Amsterdam-Rotterdam Bank, have ben more reserved. This attitude puzzles some of the independent traders on the exchange who ask why the banks have become members at all if they are not entirely in approval. The banks are clearly hedging their bets.

The exchange has held back from direct promotion of itself, preferring to leave this to its members. Many banks and stockbrokers have produced booklets to familiarise their customers with the EOE. The exchange does plan however to make a more active pitch to attract more investors later this year.

Despite the encouraging increase in turnover brought about by the listing of KLM and the other Dutch and American shares which have recently been added to the EOE's list, dealers complain of the narrowness of the market. Only six market makers are really active out of the 15 listed and they are trading in all the listed stocks instead of specialising in one particular stock. The exchange is giving the highest priority to increasing the number of market makers, Dr. Scholten says. The narrowness of trading means market makers are reluctant to take positions and there is a lack of liquidity.

The EOE wants the market to develop along U.S. lines with independent market makers and floor brokers operating for their own account. At present the large banks are strongly represented in these categories of membership but the EOE does not want to be dominated by the banks in this way. It is seeking to raise funds which could finance independent floor brokers. It is also trying to extend the number of European members. The number of U.S. participants is lower than was at first expected and U.S. traders tend to return to Chicago if business is temporarily better on the other side of the Atlantic. The EOE would like to see more European traders who are more firmly committed to a European exchange.

The EOE is still a long way off its break-even point of 7,000 contracts a day. It originally hoped to reach this point within the first year of trading. It is now more cautious about announcing performance targets. But progress is being made and if a few more KLMs could be found the pace would quicken.

C.B.

Bond market picks up

AS A source of new capital the public bond market in Holland recovered sharply last year, providing £1.62bn of new funds or 37 per cent more than in 1976. The state was the heaviest borrower, taking up just under two-fifths of total new debt, followed by the financial sector, which doubled its demands on the market and emerged with a 31 per cent share in the pool of new money.

This year the first quarter has opened with new capital raising of £425m. The foreign bond market was noticeably active, but perhaps the most striking statistic centred on the Government, which significantly increased its demands on the market, taking up more than half of the new money raised. The banks and the insurance companies appeared to lose some of their appetite for capital.

It is, of course, still relatively early days but the pattern of borrowing seen since March suggest that the market should broadly maintain its funding activities at 1977 levels. The central bank's tightish monetary policy, aimed at keeping the growth of the money supply to 8 per cent, is not allowing any surge in the economy. At the same time, what new issue queue exists is being carefully controlled.

Uncertainty

Moreover, the considerable uncertainty present in foreign exchange markets is clearly causing some potential borrowers to hold off. The corollary between the guilder and its partners in the European hard currency club is far and away the most crucial influence on Dutch interest rates at the moment. After five years of negative impact, foreign capital inflows into Amsterdam accounted for almost a tenth of the net supply of new capital market funds during 1977.

As a source of new capital, however, the public bonds remain heavily overshadowed by the private placement market. Minus official statistics, this market is something of a mystery. But the general consensus suggests that it is now between three and four times the size of the public bond market, and most banks report increasing business this year.

Backed by a secondary market and visibly linked to central bank policy on interest rates, the public bond arena is indisputedly the "price leader." But the attractions of the private placement market are undeniable. The supply of funds is almost instant, with the banks—who tend to act purely as intermediaries—quick to tap a ready pool of lenders in the shape of the pension funds, insurance companies and the savings institutions.

At the same time, there are no initial costs of the type associated with public issues, and borrowers can take up loans for far longer periods. Stock market money is largely limited to 10 years, but in the private placement market maturities usually range between 10 and 15 years with an occasional 25 year offering if the borrower's pedigree is in the triple A bracket. All this, and no need to get in line at the central bank.

The other side of the coin is, moreover, not all that disadvantageous. Because of the substantial collateral that lenders can demand, the private market is more or less denied to the corporate sector. But industrial demand for new capital has been pushed through the floor by economic sluggishness (both inside and outside Holland) and this is a market that the banks have largely ceased to rely on.

It is hard to decide whether the absence of a secondary market is much of a factor in the day to day running of the private placement market. The modestly higher interest costs clearly are not. On average a private loan would cost around half a percentage point more than a similar loan in the public bond market. Adjusting for the possibility of a longer maturity and, conceivably, the costs differential between public and private capital raising shades to three-eighths of a point.

Quiet over the past few weeks, dealing volume in the public bond market was running nearly 50 per cent ahead after the first half of 1978. March and April were particularly active as bond market advances in West Germany and Switzerland—following the investment flight from the dollar—washed over on to Amsterdam. The inevitable reaction came in May and June: turnover in money terms slowed to a gain of little more than a tenth as yields moved back up from what was always seen as "a distorted low level."

Unrest

The latest constraints are based on currency unrest and the problems currently assailing the bond market in Frankfurt, which tends to be something of a big brother to Amsterdam. Despite recent measures to improve liquidity in West Germany—at the end of June the Bundesbank stepped up by DM3bn to DM28bn the funds that the German banking system can obtain from the central bank at the discount rate for trade bills—the Frankfurt market remains weak and uncertain.

The modest amount of new paper being allowed on to the Amsterdam market at the moment is being received comfortably enough. The recent Fl75m offer from the Amfas insurance group saw maturity narrow to just seven years. But this apparently was a straightforward piece of financial policy from the company rather an indication of the constraints upon the market.

Broadly speaking, the economic parameters at home are mostly favourable. Institutional liquidity stands at a respectable level and central bank watchfulness is not allowing the market to approach a situation of overloading. Forecasts for sharp growth in the public sector borrowing requirement indicate a continued high level of Government borrowing this year, but not in amounts in excess of the market's capacity.

The less technical factors make equally solid reading. The inflation rate continues to decline and at around 4 per cent is now far less noticeably out of line with West Germany (Holland's main trading partner) than was the case a year or so ago. One or two doubts are currently being expressed in financial circles over official estimates for the trade surplus this year. But despite a first quarter deficit of Fl 1.02bn no one expects anything other than another comfortable overall surplus on current account. Official targets are a surplus of Fl 2.5bn: in 1977 the surplus was Fl 1bn compared to Fl 7.5bn in 1976.

The central bank's grip on the money supply could prove something of an internal pressure point in that it is doing nothing to dampen Holland's relatively high levels of unemployment. But the Government appears to be treading successfully the tightrope between a conservative fiscal policy—aimed at stabilising the guilder and lowering inflation rates—and labour unrest at the lack of economic activity.

In this respect, recent independent reviews of the economy—which have begun to suggest that gross national product can only rise by between 2½ and 3 per cent this year—make gloomy reading for Government ministers, particularly since official estimates have also had to be watered down recently. GNP is expected to grow by 3 per cent this year compared to 2.2 per cent in 1977.

On the whole, however, Holland's inflationary and cyclical patterns tend to fit in well with the global picture. And for the moment the authorities are happy to see the guilder stay comfortably placed within the European currency snake.

J.B.

The Management Page

EDITED BY CHRISTOPHER LORENZ

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Building up to an appeal

My partner and I run a long established small building business. We are now the only two left to perform work required to be done. One of our activities is the maintenance of a block of flats, owned by our wives jointly for the past 15 years. We charge market prices for the work done, as for any other client.

The Inspector of Taxes has decided that the work done shall now be charged as Schedule A. We have no interest in the property, and the wives have no interest in our building business. Should not ordinary charges of maintenance be allowed and some allowance for administration?

From the bare facts, you (and your partner) seem to have strong grounds for disputing the inspector's apparent contention that the arrangements are a sham. If you have not already done so, you should (each) give notice of appeal against the excessive schedule A assessments.

You will find general guidance in the free booklet prepared by the Inland Revenue on the taxation of income from real property (IR27), and we suggest that you ask the inspector to send you a copy. If you have any further problems, it will make it easier for us to help you if you can let us have a copy of (or a verbatim extract from) the tax inspector's letters and notices of assessment, etc.

No preference yield here

Recently I attended the Annual General Meeting of a company in which I am a cumulative preference shareholder. No dividends or cumulative arrears have been paid for over two years and the company still suffered an overall trading loss for the current year. However, in the consolidated balance-sheet there was a large cash balance which covered the cumulative arrears and trading loss many times over so I asked the chairman why the preference shareholders could not have at least a partial payment of the arrears out of the cash balance. He replied that legally this was not possible because any such payments had to be made out of company profits and not from the cash balance. Was he correct in this statement?

The chairman was correct. Preference shares, even if cumulative, only carry a right to dividend, i.e. declared profit, and the directors can carry sums to reserve without, or before, declaring any dividend. If the cash balance arose from capital realisations you might seek to have the directors sanction a bonus issue of shares.

Landlord and tenants

A house tenancy agreement entered into 38 years ago states: "The tenant undertakes to execute all interior decorations which may be necessary to maintain the property in good and satisfactory repair and condition and so yield up at the termination of tenancy."

A new water tank in the domestic hot water system had to be renewed recently at a cost of about £40. Is this the responsibility of the owner or the tenant?

Also the electrical system will shortly need rewiring. Nothing is said about this in the agreement. Who should bear the cost involved?

The hot water system appears to fall within Section 32 of the Housing Act 1961 and would have been the landlord's responsibility (assuming that the original contractual tenancy was for a term of less than seven years) in a lease granted after the passing of that Act. As the lease dates from before 1961 the tenant cannot rely on the statute unless a fresh contractual lease was entered into after 1961. However, neither the hot water system nor the wiring falls within the tenants' repairing covenant. Therefore neither the landlord nor the tenants are under an obligation to carry out the renewals which are now required. In practice the tenants' need may compel them to carry out the work.

Divesting your shares

A charity company, limited by shares, has myself and one other as only directors and shareholders. I wish to give up both these positions. Is it possible for me to give up my shareholding, placing the onus of finding another (to preserve the company status) on the other shareholder?

You can simply resign your directorship by written notice to the company; but the shareholding cannot be divested without your finding someone who will take a transfer of your shares.

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No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

DESPITE the current boom in UK leasing activity companies do not observe consistent rules in the way they treat leased assets in their books, Michael Lafferty writes.

On the lending (lessor) side, leading finance houses have different methods of calculating profits, while most lessees (hirers) do not treat leased assets as fixed assets in their balance sheets.

Indeed, this very feature of "off balance sheet" finance is one of the attractions of leasing. As a result it can be difficult for readers of accounts to appreciate the full extent of a company's financial commitments.

The Accounting Standards Committee is planning to resolve some of these difficulties in two draft accounting standards due for publication as exposure drafts later this year. Despite objections from finance companies it is widely expected that the ASC has made up its mind that capitalisation of leased assets will be required in lessee accounts.

Indeed, the committee is currently engaged in discussions with the Inland Revenue to ensure that such action would not prejudice the availability of capital allowances to the lessors.

PAUL RUTTEMAN has been closely involved with the ASC's plans. In this article he discusses the thinking behind the proposed new accounting rules.

Instilling some accounting order into the world of leasing

ACCOUNTANCY

THE GROWTH in leasing in the last six years has been dramatic. Figures produced by the Equipment Leasing Association show an increase in the writing of new business from £130m in 1972 to £675m in 1977; this growth appears to be continuing. These figures relate only to "finance" or "full payout" leases where the lessor, usually a finance house, recovers the full purchase price of the asset together with an interest charge from one customer, and therefore excludes the shorter term operating lease business.

This growth in leasing business is largely attributable to our tax system which enables the owner of an asset to claim 100 per cent first year capital allowances even though it is leased to, and therefore used by, someone else. Many industrial companies have, in recent years, found their taxable profits reduced by stock relief to such an extent that they would not be able to use all the capital allowances available to them if they bought their new assets outright. Instead it is found worthwhile to lease the assets from leasing companies who can use the capital allowances, a point that is reflected in the favourable interest rates they charge. It is not just the private sector that benefits from this, for the public sector also leases much of its capital equipment, leasing being cheaper than alternative forms of finance.

Subsidiaries

Most of the leasing companies are themselves subsidiaries of banks. This is not surprising if one considers the two principal attributes a successful leasing company must have—access to cash and sufficient taxable profits to be able to use all the capital allowances arising from new business written. Leasing subsidiaries have enabled the banks not only to increase the range of financial services offered to their clients but also to shelter their own not inconsiderable UK profits. There have been other cases where companies with cash available and significant tax profits to shelter have written leases purely as a means of enabling the capital allowances to mop up the taxable profits, but the Inland Revenue is tightening up on this practice. Sir William Pyle, chairman of the board of Inland Revenue, has warned that "it had never been intended that people should be able to reduce their tax bills by drawing off capital allowances on assets unconnected in any real sense with their own business."

While tax is a major factor in most lessees' decisions to lease rather than to buy outright, it is not always the only one. Traditionally, the accounting for a lease has followed the ownership of the asset, the lessor showing the asset in his balance sheet as a fixed asset and the lessee merely accounting for the rentals when paid. Leasing therefore has been considered a form of off-balance sheet finance, an aspect that has undoubtedly affected the financing decisions of companies which have already borrowed heavily or which expect to do so in the not too-distant future.

It is this off-balance sheet aspect that is one of the most controversial areas of lease accounting. In the U.S. the growth in leasing came much earlier and the issues had been discussed for a much longer period before Financial Accounting Standard No. 13 eventually standardised the accounting treatment.

In the UK also there is increasing recognition that in substance finance lease is no more than a form of finance, a loan of money at interest. Most of the risks and rewards of ownership are passed to the lessee but the lessor is assured a full recovery of his capital outlay plus a return for the use of the funds invested subject only to the risks generally associated with any other secured loan. If the substance is to be accounted for, rather than just the legal form, the lessee would capitalise the leased asset in his own balance sheet and show a corresponding liability for the obligation to pay future rentals. The leased asset would then be depreciated in the same way as other assets. As a result the return on capital employed could more easily be determined and the borrowing ratios more fairly shown. This is the method required by FAS 13 in the U.S., and it has also been adopted by a number of leading UK companies, including Dunlop, British Oxygen and United Biscuits. Most UK companies, however, continue to show leases off balance sheet.

In the Department of Trade report on Court Line the inspectors found no single reason for the collapse but noted that one of the major contributing factors was the high gearing which left the group vulnerable to any significant economic change. In 1973 a debt/equity ratio was 59/41 per cent. The balance sheet, however, did not include long-term, non cancellable leases of nine BAC 1-11 aircraft, two Tristars, their spares and other assets. Had they been accounted for in accordance with the substance rather than with the legal ownership the debt/equity ratio would have been approximately 76/24 per cent. Unless finance leases are capitalised by lessees, there is the danger that borrowing ratios will be distorted.

It is expected that the exposure draft due to be issued by the Accounting Standards Committee later this year will require that the accounting for finance leases follows the substance and, therefore, that such leases be capitalised by the lessee. However, there are still some, including a number of leasing companies who believe it is wrong for lessees to include in their balance sheet assets they do not and never will own.

DIFFERENT WAYS OF TAKING PROFITS ON LEASING

PROFIT (£ AFTER TAX) RECOGNISED BY A LESSOR ON A FIVE-YEAR LEASE

METHOD	1978	1979	1980	1981	1982	Average
1. Straight line loss	(16)	72	220	227	227	146
2. Actuarial, before tax	133	166	235	152	44	146
3. Investment period	437	280	13	—	—	146

Note: The above example assumes an asset costing £5,000 is leased at a rental of £368 per quarter payable in advance, for five years commencing January 1, 1978. The leasing company is assumed to pay interest on borrowed money at 12 per cent per annum on outstanding borrowings.

Controversial

The leasing companies are also concerned that if an Accounting Standard were to require the lessee to capitalise the asset the Inland Revenue would grant the capital allowance to the lessee rather than the lessor. That would indeed be a blow to the leasing industry, and to investment in the UK as a whole, but the Accounting Standards Committee has indicated that before any standard is introduced it will take up the point with the Inland Revenue.

Accounting for leases by lessors is just as controversial, although it affects a more limited number of companies. The main issue here is how to spread the profit on a lease over the lease term and a number of methods are presently used. There are some companies, although relatively few, which account for each instalment of rental received as a repayment of capital and of interest as a constant proportion. While this gives a steady income figure each year, it also shows a lower return on capital employed in the earlier years when the leasing company's investment in the lease is at its highest. If the leasing company borrows the required finance from its parent, this straight line method normally shows losses in the early years of a lease followed by profits in later years. If the company were to write more (profitable) leases, it would show greater losses, whereas if it were to cease writing new business, it would appear to be more profitable as the early loss years fell out of account. The straight line method therefore distorts the trend of a leasing company's results.

Most leasing companies use an actuarial method similar to that used by building societies to apportion repayments between interest and capital elements. The method assumes a constant return on funds throughout the lease. In the early part of the lease the finance charge element in the rental is large but this declines later. The balance of the rental is taken to be a repayment of the capital sum and shown by most leasing companies as depreciation, but this increases year by year over the life of the asset. Since this does not reflect rationally the wear and tear of the asset, it highlights the problem of showing the asset as fixed in the leasing company's balance sheet. Some companies therefore show this as a finance receivable, as in the U.S.

While most U.K. leasing companies use the actuarial method for financial reporting, almost all use a different method—the investment period method—for calculating lease rentals to quote to customers.

The problem with the actuarial method is that it ignores the cash flow effects of capital allowances which, with first-year allowances of 100 per cent, are too significant to ignore. The investment period method—an actuarial after-tax method—is therefore used. This reflects lease income as an even return on the cash invested in the lease. The cash invested falls rapidly as tax allowances and lease rentals are received, and these receipts are assumed to be used to reduce the remaining investment. The effect is that for a five-year lease the investment period is under three years and the entire income is taken to account in that period.

At first sight, the method appears insufficiently prudent because it "front-ends" the income, but it reflects most fairly the basis on which management decisions are taken. At present very few leasing companies use this method for financial reporting, although Mercantile Credit, for example, does. If it were to be approved by an accounting standard, more leasing companies would use it for financial reporting and, while it has the support of the Equipment Leasing Association, the banks are waiting for the accounting standard before instructing their subsidiaries to use it.

There are still some problems to be resolved both as regards the method and the safeguards that are needed. One problem is that it assumes all lease rentals and tax savings from capital allowances are used to reduce the investment in the lease. However, if the company is to pay dividends, the cash must come from these same receipts so that it cannot all be used to reduce the investment. This problem can be overcome by making the assumption that all profits are paid out by way of dividend—so lengthening the investment period.

Dangers

If profit is taken early there is the danger that much can happen between recognising profit income and receiving the cash. Moreover, the pattern of leasing is changing with more "big ticket" and longer term leasing business being written. Individual risks are becoming larger and more care needs to be taken about bad debt provisions, especially where "tailor-made" leases stop the lessor passing on these risks to the customer. However, if prudence is exercised, and is seen to be exercised, in making provision for the credit risk and, if companies provide for the effects of interest and tax rate changes on their investment period when they occur, the investment period method would seem to be the best method for ASC to choose. Whether these safeguards are adequate is a matter that the Accounting Standards Committee is now considering.

Mr. Paul Rutteman is a partner in Arthur Young McClelland Moores and Company, Chartered Accountants.

Costs that go unseen

MR. O. R. J. LEE, former executive director of NUMAS, the management advisory service, has asked us to point out that several of the points quoted from the book High Performance Management, reviewed on this page on July 7, are attributed in the book to NUMAS. Mr. Lee is now an independent management adviser.

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of BUILDING SOCIETY RATES on offer to the public. For further details please ring 01-248 8000, Extn. 266

LOMBARD

First, take 165 crystal balls . . .

BY ANTHONY HARRIS

YOU MIGHT call it 2,093 men trying to arrive at a single view, or 3,428 full-time equivalent eyes trained on a far horizon. What has in fact arrived is the world's first and fairly comprehensive index of economic forecasts*, all £60-worth of it. It is full of information, some of it odd, and every reader will have his own list of gaps—what you always wanted to know and never dared ask about our economic prophets, and may or may not find out when you look it up.

This fascinating and frustrating work has been compiled by George Cyriax, one-time economic editor of this newspaper, one-time consultant, and now a publisher, and what he has achieved even with his first shot is decidedly revealing. The trouble with forecasts is that when the figures are all arranged in neat tables, they look so authoritative—even when there is a warning to consumers, as from our own notably frank National Institute of Economic and Social Research, that no figure should be read as being more precise than is implied in the text. With the big pink book, one can discover the figures behind the figures—how many men on the staff, how many equations in the model.

Tempted

Everyone will no doubt be tempted to play at league tables. One may wonder at the temerity of the Wynne Godley group at Cambridge, who propose an economic revolution on the strength of a mere ten part-time staff (and only quarter-time at that) and 51 equations, when the 25 full-timers at the Treasury, aided by more than 600 equations, produce the annual light-at-the-end-of-the-tunnel in the Budget Red Book? How interesting to discover that A and B, the stockbrokers who have such an impressive output of forecasts, use a computer which forecasts only in real terms, and have to work out the money by judgment, while C and D, their rivals, are self-confessedly totally unscientific. E and Co, the terror of the fixed interest market, describe their work as "essentially monetarist in character," which is no surprise, while F and G use a flow of funds matrix, but the only econometric model with a strong monetarist interest is academic.

Apart from showing that the City's well-remarked monetarism is more a matter of faith than developed science, this kind of information is not necessarily as relevant as it looks. Computers can show no better judgment than the men who run them, and the right reaction if your favourite guru turns out to rely on two and a half men and a bit of damp seaweed may well be admiration rather than suspicion. As far as Britain is concerned, the whole business seems to rely on flair rather than large-scale effort. Although it is, after the U.S., the most-forecast economy in the world, the whole UK industry employs fewer people than the Dutch Central Planning Bureau, which advises all the departments there (and produces, by the way, 11 regional forecasts for that small country as well as national and industry forecasts). And even that bureau is less than half the size of the biggest commercial forecaster, Data Resources Inc of the U.S., with more than 300 forecasters on the strength.

Since commercial forecasts are fairly expensive (£120 for a quarterly service is quite a modest price, and some can run to four figures in dollars) the price of this index does not look too prohibitive, and it might be worth it to someone just to discover who has the world's entire tanker fleet on a computer, or has an econometric model of the copper industry or the North Sea. But in a sense this first effort looks a little narrow, and in a sense too all-embracing. Mr. Cyriax has stuck to those who publish actual forecasts rather than the information on which others may base their own view of the future. In a sense this has let too many people in—it is hard to know, for example, on what criterion the stockbrokers were selected, for almost any broker's circular contains forecasts of some kind. On the other hand, one is frustrated to find some important organisations left out.

World-wide

I myself hope especially that a future edition will have a solid section on surveys — industrial surveys such as those by the CBI, the Department of Trade (and our own, perhaps), consumer surveys and market surveys. For the business reader these may be far more useful and relevant than macro-economic models, and to know what is available worldwide, the sample sizes and the like would be invaluable. It would also be handy to have a section on accessible models—the ones where you can feed in your own assumptions and see what comes out. And some day someone—and why not Mr. Cyriax?—will do a Which? on forecasters, and tell us something of their track record. Meanwhile the big pink book, as it is likely to be known, is a start, and raises one further question. Why has nobody done it before?

*World Index of Economic Forecasts. Gower Press, 1 Westmead, Farnborough, Hampshire GU14 7RU. £60.75.

A time to boast, a time to view

GARDENS TODAY

BY ROBIN LANE FOX

THE PAST fortnight has been the time during which almost every keen gardener thinks his garden is worth looking at. Those invitations come my way, to come and see the garden, but only to come some time, in early or mid-July, because there will be holidays, bad weather, family visitors and so forth blocking up the calendar afterwards.

What they mean, in fact, is that the pinks will be over and the orange blossom out of flower. The first batch of Petunias, bought ready-made in boxes, will need dead-heading and there will be too much black-spot on the bare bushes of the old roses for anyone to handle, between Goodwood week and the customary early autumn round of currency-crises. For it is the rose, especially the older sort of rose, which makes early July so magical. Are there any new ideas here and how best do you join the old rose fashion?

Now it is not enough for me to repeat that most of these old roses flower only once and revel in mildew and black-spot even if you do spray them weekly from mid-March till October. I would only add that black spot, in my experience, has never killed an old rose. It has, perhaps, weakened them, though I have inherited an old and unidentified yellow climber some 12 ft high which loses every single leaf from July onwards whatever I do to it and which still flowers profusely in the earlier part of each year.

If you want to avoid this bother, grow the hybrid musks or the modern hybrid shrubs such as Pink Grootendorst, otherwise, stop with the excellent quartered flowers on the newish range bred by David Austin, Albrighton, Wolverhampton, almost all of which are scented and quite lovely. But they are not striped nor do they have those pale green leaves nor, in most cases, the curious green moss on the buds and the stems immediately below the flowers. The stripes, particularly, are the irresistible feature. For these, still, you must turn to the older varieties. No breeder tries to repeat them nowadays, though I would imagine that the result would sell out on sight if it could resist disease and flower, say, like David Austin's heavenly pink Wife of Bath. How, first, can you enjoy the best striped flowers in a small garden?

I would not hesitate to plant the York and Lancaster rose first, although it does not live for very long at its best. It is not the same as the Rosa Mundi with which the lists often muddle it. Rosa Mundi's background colour is pink and its stripes are rose-red. The York and Lancaster is white with a red stripe, the "third, nor red nor white, which stole of both" in Shakespeare's poem and which the poet had obviously failed to grow as well as we do nowadays. "For this theft, in pride of all his growth, A vengeful canker eats him up to death": Anne hath-a-way with most things in my garden, in other words, but cannot out that damned Black Spot.

The York and Lancaster will naturally grow upright to a height of about three and a half feet. Its stems are not very strong, so the bush will lean over unless supported. It is fair game for mildew and "vengeful canker," so I prefer to cut it right down to the ground after flowering so that the effects do not show. This makes it quite a new plant, the sort of thing which you can mass near the front of a border, like the big June poppies, and conceal later in the year with Sweet Peas, trailing violas, Nasturtiums or Michaelmas Daisies. Fifty bushes do not go very far, so if you can afford to mass them for their great fortnight in early July, do not hold back. They combine so prettily with silver leaves or with a good grey-leaved pink, preferably one of the white and purple-pink blotched varieties. As you are rid of this rose from mid-July till October, you can find a space for it in any garden. It is a better colour, I think, than Rosa Mundi, so be sure that your old rose nursery, Morrells, say, of Shrewsbury, know that you want the white background.

Altogether bushier and perhaps as lovely as any are that easy old pair, Ferdinand Pichard and President de Seze. Both reach a height of some four feet and are about as much across. Ferdinand has the longer season, usually repeating later in the year. His flowers are rounded and their basic colour is pink, prettily striped, however, with a deep red and a red-purple. He is excellently scented and the best, bushy buy among the family of Hybrid Perpetuals.

These tend, otherwise, to be rather straggly. Again, he is well suited to a silver-leafed background. Artemisia Silver Queen running prettily between him at more or less the same height. He is too good, I think, for only two or three bushes, as his season is not short. Use him, then, like a big bedding rose.

President de Seze is a Gallica and thus, if anything, tougher. His freshly-opened flowers, held at a height of four feet or so, are miraculous. The centre is an intense deep crimson purple, opening out to those heavenly rolled petals of the classic French gallica flower. The outside edge is white-lilac, quite a different colour and the most delicate contrast in such a rich flat flower. The leaves are fresh and solid, the bush very tough and well set. Scented, of course, and so old that it can merely be dated "earlier than 1836." It matches with big grey-blue leaved Hostas most handsomely.

The last few years have shown us another, Robert Le Diable, at its best. I was landed with this spreading Provence rose as a present from a connoisseur who made it his personal first choice. For two years it straggled and bore flowers which were beautifully petalled but poorly coloured. Then came the past hot summer and the colouring, as he promised, pulled itself together. Slate-purple, scarlet, rose-pink and pale grey run through petals which stand upright in the centre and reflex at their edges. It is a wide spreading bush, unlike the others, but a subtle mixture which no breeder, nowadays, could repeat. For most striped roses are the height of antique fashion. If you wondered, at the beginning, why so many keen gardeners look to early July as their open season, the reason lies here, in roses a hundred years old, older, even, than Shakespeare and the first European flower-gardens.

Formulating promise

RACING

BY DARE WIGAN

ANOTHER SPATE of meetings takes place today, with East Coast holidaymakers catered for at Yarmouth and Redcar. Racing is invariably fun at Yarmouth and several of the leading Newmarket trainers use the course to introduce good-class two-year-olds.

Rumour has it that Formulate, by Reform out of a mare by Never Say Die, is one of the most promising young fillies in Henry Cecil's yard, and that it would be unwise to oppose her in the Jellicoe Stakes (2.15). Later in the afternoon, Cecil saddles Palaver in the Cradock Handicap (3.45), and it is on the cards that this gelding by Crepello, who won at the last meeting here, will score again.

At Redcar, Sockburn, a shade unfortunate to have been disqualified in his last race, is sure to go well in the Petty Officer Handicap (3.00). Top Call, a filly by High Top, ran with sufficient promise on her initial outing at Yarmouth a fortnight ago to suggest that she may win the Ugthorpe Stakes (2.30).

At Sandown this evening, Heroic, who after a second to Hatch over 1¼ miles here on June 16 trotted up at Salisbury 12 days later, appears to be reasonably treated with 8st 3lb in the Playmate Handicap (7.05). King For A Day, who deserves a change of luck after his brave efforts against Noble Quillo at Ascot and against Moon Sammy at Newcastle, can find compensation in the Playboy Bookmakers Handicap (7.40). Revelston would only have to reproduce form shown when a close third to Gold Song and St. Terramar at the last meeting here in order to land the Savile Row Handicap (8.10).

Clearly, Miner's Song was not fancied when he ran at the last meeting here. But his performance when finishing close fifth behind Go Total augured well for the future and I shall not be surprised if this colt by Pitskelly, trained by J. Sutcliffe at Epsom, wins the Aylesbury Stakes (6.00).

SANDOWN
6.00—Miner's Song**
7.05—Heroic***
7.40—King for a Day
8.10—Ravelston

REDCAR
2.30—Top Call
3.00—Sockburn
3.30—Tweedhill

YARMOUTH
2.15—Formulate
3.15—Plektrudis
3.45—Palaver*

HAMILTON
2.15—Saintly Princess
2.45—Sovereign Acres
4.45—Blue Drake

BBC TV to spend £12m on drama

FINANCIAL TIMES REPORTER

A SIX-MONTH £12m drama package was unveiled by the BBC yesterday which includes a seven-part adaptation for television of John Le Carre's Tinker Tailor Soldier Spy, starring Alec Guinness and a double bill of plays by Czech dissident Vaclav Havel.

The £12m is an increase on spending for the same period of last year — but matches previous spending only if inflation is taken into account. "We have enough projects and good material t ospend at least three times that amount," said Mr. Sean Sutton, BBC TV drama chief, yesterday. "Unfortunately they will have to wait in the queue."

Four recent winners of the British Academy's Actor of the Year Award — John Hurt, Peter Barkworth, Derek Jacobi and Anthony Hopkins — will be seen in new roles. Diana Rigg, Claire Bloom, Sean Phillips, Billie Whitelaw, Helen Mirren and Dame Flora Robson will star in a trilogy of classical Greek plays. The package includes old favourites such as Dr. Who and All Creatures Great and Small.

ENTERTAINMENT GUIDE

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THEATRES

HER MAJESTY'S. CC 01-930 6606. Prev. July 26 8.0. Opens July 27 at 7.0. Sub. evgs. 8.0. Mats. Wed. & Sat. 3.0. JAMES EARL JONES as PAUL ROBESON. A New Play by Philip Hayes Dean.

STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Sat. 5.30 and 8.30. NO SEX PLEASE—WE'RE BRITISH. THE WORLD'S GREATEST LAUGHTER MAKER. GOOD SEATS £4.00-£1.00.

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SAVOY THEATRE. 01-836 8888. TOM CONTI in WHOSE LIFE IS IT ANYWAY? with JANE ASHER. "A MOMENTOUS PLAY I URGE YOU TO SEE IT." Gdn. Evgs at 8.0. Fri. and Sat. 5.45 & 8.45.

SHAFTESBURY. CC. 01-836 6595. Shaftesbury Ave WC2 (High Holborn end). For a Special Summer Season. A New Production of GODSPELL. Seats from £1-£5. Best available seats at £2.50 ½-hour before show from the Box Office. Mon.-Thur 8.15. Fri. & Sat 5.30 & 8.50.

ODEON. Haymarket. (930 2738-2771.) Jane Fonda. Vanessa Redgrave in a Fred Zinnemann film JULIA (A). Sep. progs. dly. 2.30 (Not Sun.), 5.45 8.45. Feature dly 2.45 (Not Sun.) 6.00 9.00. All seats bkble at theatre.

ODEON. Marble Arch, W.2. (723 2011-2.) CLOSE ENCOUNTERS OF THE THIRD KIND (A) Sep. progs. dly. Doors open 1.05 4.15. 7.45. Late show Fri and Sat. doors open 11.15 p.m. All seats bkble.

PRINCE CHARLES. Leic. Sq. 437 8181. MEL BROOKS' HIGH ANXIETY (A). Sep. perfs. dly. (incl. Sun.) 2.45. 6.15. 9.00. Late show Fri. and Sat. 11.45. Seats bkble. Lic'd bar.

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TV/Radio

† Indicates programme in black and white.

BBC 1

6.40 am Open University (Ultra High Frequency only). 10.55 Cricket: The Gillette Cup. 1.15 pm News. 1.30 Fingerbobs. 1.55 Cricket: The Gillette Cup. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Boss Cat. 5.10 Newsround Weekly. 5.35 The Wombles.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 The Wednesday Film: "Tarzan The Apeman."
8.10 Z Cars.
9.00 News.
9.25 The Risk Business: The Birth of a Company.
10.05 The Royal International Horse Show.
11.15 Mr. Smith's Airship.
11.55 Weatherman/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—5.10-5.35 pm Pen Draw'r Byd. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.15 Pawb Yn Ei Fro. 7.40-8.10 Come Back Mrs. Noah. 11.55 News and Weather for Wales.

Scotland—9.55 am Paddington. 10.00 Jackanory. 10.15 Grange Hill. 10.35-10.55 Big John, Little John. 5.55-6.20 pm Reporting Scotland. 11.55 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm News. 5.55-6.20 Scene Around Six. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40 am Open University.
10.35 Gharbar.
11.00 Play School.
4.15 pm Cricket.
4.55 Open University.
7.00 News on 2 Headlines.
7.05 Erica on Embroidery.
7.15 An ABC of Music.
7.30 News on 2.
7.40 Rhythm on 2.
8.10 Brass Tacks.
9.00 Call My Bluff.
9.30 Globe Theatre.
10.45 Multi-Racial Britain.
11.10 Late News.
11.20 Cricket.
11.50 Closedown reading.

LONDON

9.30 am A Place to Live. 9.55 Catch '77. 10.20 Oscar. 10.30 The Flintstones. 10.50 Nature of Things. 11.45 Cartoons. 12.00 Cloppa Castle. 12.10 pm Hickory House. 12.30 Sounds of Britain. 1.00 News plus FT Index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Racing from Redcar (2.30, 3.00, 3.30, 4.00 races). 4.20 Michael Bentine's Potty Time. 4.45 Shadows. 5.15 Gambit.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 Don't Ask Me.
7.30 Coronation Street.
8.00 London Night Out.
9.00 Elkie and Co.
10.00 News.
10.30 Best Sellers.
12.15 am Close: Gerard Manley Hopkins poem read by Michael Burrell.

All IBA Regions as London except at the following times:—

ANGLIA

10.20 am Friends of Man. 10.40 Simply Sewing. 11.05 In Concert. 11.30 The Piper of Nacton. 1.25 pm Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 12.15 am The Big Question.

ATV

9.35 am Something Different. 10.20 Angling Today. 10.45 Banacek. 11.55 The Adventures of Parsley. 1.20 pm ATV Newsdesk. 5.15 Happy Days. 6.00 ATV Today.

BORDER

10.20 am Technoflash. 10.40 Simply Sewing. 11.05 In Concert. 11.30 The Piper of Nacton. 11.20 pm Border News. 2.00 Houseparty. 5.15 The Rolf Harris Show. 6.00 Lookaround Wednesday. 12.15 am Border News.

CHANNEL

1.18 pm Channel Lunchtime News. 6.00 Channel News. 6.10 The Beatles. 10.28 Channel Late News and Weather. 12.15 am The Adventure World of Sir Edmund Hilary. 12.40 News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 10.20 Wild Country. 10.40 Simply Sewing. 11.05 In Concert. 11.30 The Piper of Nacton. 1.20 pm Grampian News. 6.00 Grampian Today. 6.10 Police Newsroom. 6.15 Woody Woodpecker Show. 12.15 am Reflections. 12.20 Grampian Headlines.

GRANADA

10.25 am Sesame Street. 11.20 Solo One. 11.45 Kathy's Quiz. 1.20 pm This is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 University Challenge. 12.15 am A Little Night Music.

HTV

10.20 am The Lost Islands. 10.40 Simply Sewing. 11.05 In Concert. 11.30 The Piper of Nacton. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Father Dear Father.

HTV Wales—As HTV General Service except: 1.20-1.25 Penawdau Newyddion Y Dydd. 4.20-4.45 Y Pregethwr A'r Brithyll. 6.00-6.15 Y Dydd.

West—As HTV General Service except: 1.20-1.30 Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.20 am Clue Club. 10.40 The Stationary Ark. 11.05 Simply Sewing. 11.30 The Piper of Nacton. 1.25 pm News and Road Report. 2.00 Women Only. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Reflection on Sport. 12.15 am Late Call.

SOUTHERN

10.20 am Skippy. 10.40 Simply Sewing. 11.05 In Concert. 11.30 The Piper of Nacton. 1.20 pm Southern News and Weather. 2.00 Houseparty. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day By Day. 12.15 am Southern News Extra. 12.25 Weather Forecast followed by Yesterday's Tears.

TYNE TEES

9.25 am The Good Word. 10.20 Wildlife Cinema. 10.40 Simply Sewing. 11.05 In Concert. 11.35 The Piper of Nacton. 1.20 pm North East News. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 10.30 Landscape. 11.00 Best Sellers. 12.40 am Epilogue.

ULSTER

10.20 am Lost Islands. 10.40 Simply Sewing. 11.05 In Concert. 11.30 The Piper of Nacton. 1.20 pm Lunchtime. 4.18 Ulster News Headlines. 5.15 The Partners. 6.00 Ulster News. 6.05 Crossroads. 6.30 Reports. 6.45 Witherspoon. 10.30 Clouds of Glory. 11.30 Bedtime.

WESTWARD

10.20 am The Beachcombers. 10.40 Simply Sewing. 11.05 Jazz Concert. 11.30 The Piper of Nacton. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward Headlines. 5.15 Gambit. 6.00 Westward Diary. 10.28 Westward Late News. 12.15 am The Adventure World of Sir Edmund Hillary. 12.40 Faith For Life.

YORKSHIRE

10.20 am Power Without Glory. 11.10 Choirs of the World. 11.35 Friends of Man. 1.20 pm Calendar. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 The First Ten Years. 11.00 Best Sellers.

RADIO 1 247m

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.00 Tony Blackburn. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Peter Powell. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.00 John Peel (S). 12.00-2.02 am As Radio 2. VHF Radios 1 and 2—5.00 am With Radio 2, including 1.55 pm Good Listening. 10.00 pm With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2 1,500m and VHF

5.00 am News. 5.02 Richard Vaughan (S) with The Early Show, including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin. 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Sports Desk. 7.33 Listen to the Band (S). 8.15 Semprini Serenade (S). 9.02 The Fred Astaire Story. 9.55 Sports Desk. 10.02 Offbeat with Braden. 10.30 Hubert Gregg. 11.02 Sports Desk. 11.05 Brian Matthew introduces Round Midnight. 12.00 News. 2.00-2.02 News Summary.

RADIO 3 464m, Stereo & VHF

†6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (S). 9.00 News. 9.05 This Week's Composer: Britten (S). 9.50 Music for Organ (S). 10.35 Music Making from Birmingham (S) Bach, Purcell, Handel, Joubert. 11.35 Copland and Sessions (S). 12.15 pm City of Birmingham Symphony Orchestra (S) Part 1: Mozart, Bloch. 1.00 News. 1.05 CBSO (S) Part 2: Mussorgsky. 1.40 Song Recital (S) Debussy, Duparc, Barber. 2.15 Fernande Kaeser (S) Piano recital. 3.10 Koussevitsky Commissions (S). 4.00 A 2 Clav E Pedal (S). 4.45 Rossini's Stabat Mater (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound. †6.30 Lifelines: Language and Communication. 7.30-11.30 An Evening in Archives: 7.30 Solomon Piano recital. 8.05 Saint-Loup, A Proust reconstruction. 9.30 The Ladder and the Tree. 9.50 Oedipus Rex. Opera oratorio, music by Stravinsky. 10.50 The Last Time I Met Henry James by Sir Compton Mackenzie. 11.00 Final Meeting. 11.30 News. 11.35-11.40 Tonight's Schubert Song.

Radio 3 VHF only—6.00-7.00 am and 5.45-7.30 pm Open University.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News. 6.10 Farming Today. 6.30 Today. 7.00 and 8.00 News. 7.30 and 8.30 Headlines. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Over Here, Over There. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Conversation Piece. 11.50 Portraits from Memory (1). 12.00 News. 12.02 You And Yours. 12.27 The Spamfritter Man (S). 12.55 Weather. 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 File On 4. 8.00 Pain: A Way of Life. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Round Britain Quiz. 11.00 A Book at Bedtime. "The Secret Agent." 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News. 12.20-12.23 am Inshore Forecast.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In, including 1.00 London News Desk. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 am As Radio 2. 12.05 am Question Time. 1.05-Close. As Radio 2.

London Broadcasting

261m and 97.3 VHF

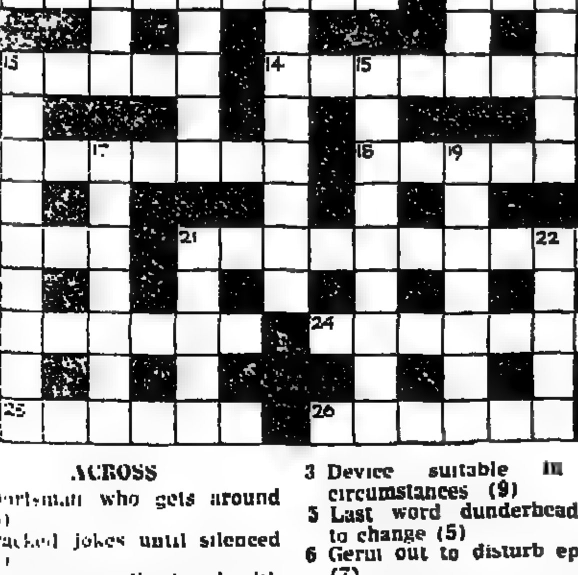
5.00 am Morning Music. 6.00 AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports. 8.00 After Eight with Ian Gilchrist. 9.00 Nightline with Keith Chalkley. 1.00 am Night Extra with Allan King.

Capital Radio

194m and 95.8 VHF

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,722



ACROSS

1 Sportsman who gets around (6)
4 Cracked jokes until silenced (6)
8 Ideal is to swindle church with physical training (7)
9 Established back number was attacked (3, 4)
11 Old minute recorder is revolutionary (6, 4)
12 Gather there's a service (4)
13 Inflamed about getting standard measure (5)
14 Conflict found right inside novel (8)
16 One bird joins top category as well as another (8)
18 Stick gone to each beginner (5)
20 Cautious battle waged by youth leader (4)
21 Dressings that could make parting more endurable (4, 6)
23 Girl on railway bird sanctuary (7)
24 Affected walking in a London lane (7)
25 Make less superficial writer follow Scots river (6)
26 Article on tidy bit of Ireland (6)

DOWN

1 Note to wander in trees (5)
2 Industrial action in part of canal abroad (4, 3)
3 Device suitable in the circumstances (9)
5 Last word dunderhead has to change (5)
6 Germ out to disturb epicure (7)
7 Lets ice cream fall on cake (4, 5)
10 Not at all distant (3, 4, 2)
13 Contemplate a director having to plan for future (4, 5)
15 Firm pressure on one member over court case (9)
17 Peeping Tom's point of view (7)
19 Churchill's name for a garment (7)
21 Crowd save up to hear (5)
22 Measure of liquid note (5)

Solution to Puzzle No. 3,721

Tower of London

Yeoman of the Guard

by ARTHUR JACOBS

The nimble, sympathetic and still rather boyish Tommy Steele is the attraction around whom the City of London Festival has built its production of *The Yeoman of the Guard*.

At the end of the first act, when the execution of Colonel Fairfax cannot take place because he has escaped from his cell, the stage tableau usually leaves the black-garbed executioner alone in view as everyone else hurries away. Here it is Tommy Steel as Jack Point who is left on stage, anxious for his own future because of what he knows about the Colonel's secret marriage.

The skilful stage direction of Anthony Besch ensures that such shifts of emphasis do no harm to the plot, any more than the musical score is hurt by the upward transposition of Jack Point's songs for Mr. Steele's benefit. A tenor rather than the usual baritone, Mr. Steele sings decently, projects the words with intelligence, and performs the jester's capers in an attractive but by no means obtrusive way. Constantly *on the go*, he needs only to hold himself occasionally still (matching his colleagues) in the *ensembles*.

Because Jack Point, like the rest of what an older generation called the "*Henry Lytton roles*," traditionally requires a comedian who sings rather than a highly acomplished singer, Mr. Steele did not seem out of place in an otherwise operatic cast. The clarity of his and their words was often lost—perhaps inevitably, because of their dependence of the spacing of microphones. At least (and this was an important credit) Bob Auger's sound system balanced the voices and orchestra in a way which gave full value to Sullivan's scoring—as far as motor-horns and other passing noises permitted.

Noises or not, the Tower itself is (and has been periodically since 1962) a marvellous place to stage a story set within the confines of the Tower itself. The moat is used as an approach road along which a figure representing Leonard Meryll gallops on a white horse with eventual news of Fairfax's reprieve. With Gillian Lynne brought in as an additional stage director for Tommy Steele, and with Peter Rice as designer, Mr. Besch manages the whole action with flair.

Alexander Faris, conducting with good control and judicious pace, showed his insight into this period and style. He consented (reluctantly, I suppose) to truncate the overture, but he included several musical sections generally cut in the theatre. To hear the solo for Sergeant Meryll "A laughing boy but yesterday," was to understand why Gilbert and Sullivan themselves suppressed it in the cause of not holding up the action, but I never fail to welcome the comic duet for Sergeant Meryll and Dame Carruthers, "Rapture, rapture."

Terry Jenkins made a properly heroic Fairfax in voice and manner. The other operatic parts—well sung, neatly characterised, but perhaps slightly underplayed for such a big-scaled presentation—fell to Paul Hudson (Sergeant Meryll), Dennis Wicks (Shadbolt), David Feildsend (Leonard), Tom McDonell (Lieutenant), Della Jones (Phoebe), Hilary Western (Kate) and Laureen Livingstone as Elsie—at her best when catching the animation of Tommy Steele as her partner. A chorus over 50 strong made a lively impact.

Fireworks (donated by the Midland Bank) ended the opening night on Monday. Even without them, the show makes a capital festival event.

Leonard Burt

Della Jones and Dennis Wicks

Television

Dunkley's Law triumphant

by CHRIS DUNKLEY

One way and another it has been quite a week for television, what with a new London TV festival opening, and then the Cabinet deciding that Britain should have a new sort of TV channel—all in addition to the usual rash of news stories resulting from the week's programmes themselves.

Despite the contempt for television expressed so regularly in some parts of the popular Press, it is noticeable that more and more column-inches are devoted to news of the competing medium: Angela's heartbeats, Bruce's new contract with the opposition, or the selling of the *Crossroads* format to the Americans (who were certainly due to take some British rubbish after all the years of buying our best quality material and sending back *Peyton Place* and *The Waltons* in return)—all receive on the news pages quantities of attention quite remarkable for subjects which are treated with such scorn elsewhere in the very same publications. But I digress . . .

The news finally leaking out that the forthcoming White Paper on broadcasting will after the Cabinet's second thoughts call for a new Open Broadcasting Authority (OBA) to run our fourth channel like a publishing operation, is very heartening for anyone whose main concern is the actual programmes appearing in our sitting rooms.

Although the Annan Committee had plumped for this in their report it had seemed that among the politicians a combination of confusion, inertia and fierce lobbying from commercial television had succeeded in turning the Government against the recommendation of its own committee and persuaded them to give the channel to ITV instead, thus locking Britain's television system for decades into an even more debilitating ratings war.

The great thing about the OBA scheme is that by allowing for programmes from any source, it holds out hope of new ideas, new approaches, new sorts of programmes instead of the opening of an ITV2 to mimic and to fight BBC2, which ITV's plans have already shown would be the result of giving the fourth channel to the present commercial set-up. We still cannot count on the OBA, of course: even if it is not scuttled by a Conservative election victory, it will still take years to find the funds and instal the transmitters. Yet in principle alone the decision is welcome.

By a rather similar token, the principle of the first International Television Festival to be organised by the British Academy of Film and Television Arts, now under way in BAFTA's Piccadilly headquarters, is also to be welcomed. Since British broadcasters walk off with so many golden thises and silver thats from other countries' festivals (one highly successful and blasé British producer has lost count of the Golden Bears, Silver Swallows and so on that he has won and refers to them collectively as "zinc stoats") it always did seem a little unfair that nobody in this country offered to return the compliment.

The trouble is that precisely because there are so many other festivals, from Berlin to Buenos Aires and Monte Carlo to Montreux—not to mention the Edinburgh International TV Festival which has grown into such a success in only two years, though it is a talk-fest rather than a contest—it is nowadays none too easy to get a new festival established.

BAFTA has managed to attract 30 entries from 24 countries including China, Russia and America, and the handbook lists 30 foreign delegates (the world's leading TV festival, the Prix Italia, attracts some 330).

Britain as others see us: Bob Hoskins as Arthur Parker in "Pennies from Heaven," one of Britain's entries in the first International Television Festival to be organised by BAFTA.

The Princess Anne Theatre in which entries are being screened felt pretty cavernous and underpopulated last week with 90 per cent of the 200 seats permanently empty. Moreover, quite a number of the programmes have already been seen at other festivals.

New TV festivals obviously suffer from the same Catch 22 that bedevils new film festivals: you cannot establish yourself firmly until major producers start selecting your festival as first choice for their best new work, and they won't do that until you are well established. BAFTA may have to taxi along through several thin years before the festival really takes off.

Meanwhile, the international seven-man jury chaired by Stephen Hearst, former head of BBC Television's arts programmes and now controller of Radio 3, face the unusual job of making their gold and silver awards purely according to which programmes they believe "make the most original contribution to the art and technique of television" without any regard to categories. Thus documentaries compete against dramas, and current affairs programmes against ballets.

Having acted periodically as a juror myself for TV awards judged by category, and having had great difficulty in choosing a drama winner from, say, a very expensive 35-mm film shot on location and a rather cheap videotape shot in studio, I can see both the attractions and the difficulties of abandoning categories altogether. We shall discover the results when the BAFTA winners are announced on Friday night.

In the meantime, this festival more than any other is bearing out the Dunkley Theory of TV Festivals (which will one day be turned into a vast monograph and published by Sociology Inc.). The essence of the theory is that broadcasting organisations enter for international prizes those programmes which illustrate most clearly the preconceptions which they believe foreigners harbour about their country.

Hence Eire's entry at BAFTA, called *Lost At Sea*, is a sad documentary about the search for survivors from a little fishing boat missing from Killybegs in Donegal. It speaks of an ancient community almost inured to hardship, tragedy and disaster and conveys the pitiless power of the Atlantic and the ubiquity of the ocean in the lives of the fishing people.

Britain's own entries are the first episode of ITV's *Hard Times*, set in the 19th century of course, and providing a vivid picture of a society riven by class and privilege: and episode five of the BBC's *Pennies From Heaven*, a drama set between the wars and providing a general view of a society riven by class and privilege and in particular a picture of the lower middle class preoccupied with manners of speech, appearances, and what other people will say.

Of the two American entries, the one so far shown (*Mary White* from ABC) recounts in dramatic form but at inordinate length the events of the last year in the life of the 16-year-old daughter of Kansas newspaperman William Allen White. The society is portrayed as being in parts bigoted and violent, but Mary White herself is the pure, upstanding, honest, gritty idealist who fights against segregation and tells the WASP charity ladies that they should not just supply Christmas dinner for the poor, but eat it with them too.

CTV Canada is optimistically trying for a prize with a programme the accuracy of whose title — *Circus* — is as deadly as everything else about it. The only possible reason for pretending that it contributes anything original to the art or technique of television is that instead of just giving you the same old elephants, liberty horses and clowns that you get on television every Bank Holiday, they have tacked on a couple of pop singers. Could this reflect a Canadian belief that foreigners see the country as preserving the best of the old while adding judicious quantities of the new, thus further fulfilling the Dunkley Theory?

Perhaps the theory does come adrift a little with Jugoslavia's offering called *Woman On A Rock*, a short, cool introspective and poignant piece about a sunbathing middle-aged opera singer musing on the vibrancy of youth and the irresistibleness of old age. Then again perhaps it doesn't.

Certainly Hungary's ponderous version of *Richard III*, shot in monochrome and almost entirely in massive closeup (for as long as I could bear to watch, anyway) gave indications of trying to live up to a supposed Hungarian ideal of intense artistic endeavour, which would come as no surprise to anyone interested in the traditions of the Hungarian cinema.

The one programme to by-pass the theory entirely, and also the most enjoyable by far in the first week of the festival, was the opening episode of a Japanese series called *The Avengers*. Post *Water Margin* hokum of the very slickest sort, it has inspired me to look at the small quantity of material of a nearly similar nature shown on British television and will form the basis of a future article.

Finally, still on the subject of festivals, keen readers of this column may be interested to know that I will not have to eat my article of June 21: *Macmillan's Mayerling* has indeed been entered not just for *a* festival but for *the* festival—it is ITV's music entry in September's Prix Italia in Milan.

Bush

In At The Death

by MICHAEL COVENEY

I once saw the final Saturday matinee of an ill-fated West End thriller, *In At The Death*, starring Jean Kent and Charles Stapley. This is not that, but a ragbag collection of gruesome "Living Newspaper" stories. Six authors have responded to the sort of macabre, titillatory material published on the front page of Monday's *Daily Mail*, where the death of a motorcycle stuntman provided light relief from Soviet dissidents and President Carter in Bonn. In "Ghouls," by Dusty Hughes, we meet a group of lobotomised disaster groupies comparing notes on Aberfan, Moorgate, Taunton and Flixborough at the scene of an aeroplane crash.

Described thus baldly, the sketch might be considered to be *in* bad taste, *if* not downright offensive, but it also says something serious about our awful curiosity *in others'* misfortunes and the media's eagerness to feed *it*. The theatre can usefully operate as an investigative irritant in such matters of private taste and public responsibility. Not all of the revue functions in this difficult borderline territory, as such diversely talented writers as Ron Hutchinson, Ken Campbell and Snoo Wilson take bizarre headlines as springboards to joyful little exercises in stylish fantasy.

Mr. Hutchinson gives us a farcical Belfast household where zealous sectarianism is a cloak for a compensation racket to subsidise a young girl's participation in a Ruby Murray lookalike contest; Mr. Campbell's contribution recounts the zany embarrassment of a rocking revivalist preacher by an anarchic rival whose theory of evolution suggests that the lesser hairy ape was infested by a plague of pesky, humanising insects; and Mr. Wilson closes the show with a strange tale of a dead miner shining his light in the kitchen sink before luring a distressed widow to an eerily luscious underworld.

The imaginative force of these sketches elicits some beautifully attuned playing from Clive Merrison, Julie Walters, Philip Jackson, Alison Fiske and Godfrey Jackman. There are some ungent songs and sketches by Victoria Wood, a performer new to me and a delightful discovery, mixing a direct, earthy comedy style with a winning way at the keyboards. The director of an interesting, ambitious compilation is Dusty Hughes.

Stationers' Hall

Julian Bream

by NICHOLAS KENYON

The official activities of this year's City of London Festival were inaugurated on Monday with *The Yeoman of the Guard* in the moat of the Tower of London and with a sedate recital in the Stationers' Hall, Warwick Lane, by Julian Bream.

Bream was, as ever, generous with his programme. He included two substantial works by Sir Lennox Berkeley (who was present) in honour of the composer's 75th birthday year: the *Theme and Variations* from 1970, and the Sonatina Op 51 which Berkeley wrote for Bream in 1958. There was the inevitable Villa-Lobos and, in the first half, a mixture of music for lute and guitar by Byrd, Molinaro, Dowland, Bach and Paganini.

I have the feeling that Bream is not at his happiest on these highly formal occasions; he would be more content to rip off his bow tie, tell a few jokes, and play to a few friends over a drink. A couple of stumbles at the start of a Byrd Pavan, and a snatched chord in a Molinaro Saltarello showed a rare unease, and even the superb Dowland Fantasia was not drawn together with his usual command. But once he transferred to the guitar, Bream produced some of the deliciously precise shadings of tone and phrasing which we expect: a Bach Prelude (ironically, as he pointed out, for lute) went beautifully, and even in the lengthy banalities of Paganini's Sonata in A there was much to admire. Its last movement was something of a scramble (as it might well be, given the sheer number of notes), but the central Romance was subtly coloured.

The Stationers' Hall proved ideal for guitar sound, with its intimate size and resonant wood panelling, but for many of the audience the sightlines were poor. The concert was generously sponsored by Sedgwick Forbes Holdings; with 400 or so of us paying £5 a ticket to hear a solo artist (even allowing for the glass of wine), I presume their sponsorship was not so much deficit-financing as profit-raising.

Covent Garden

The Royal Ballet

by CLEMENT CRISP

After some long weeks looking at other companies, the return of the Royal Ballet to Covent Garden on Monday from an American tour offers a salutory reminder of standards of excellence.

The sheer distinction and uniformity of style shown by the 10 soloists who support Anthony Dowell in *Four Schumann Pieces* is cause for rejoicing; they are well educated, well groomed as dancers, and they do much to redeem this mooning, monochrome, self-indulgent choreography. Dowell does a great deal more, but the ballet was made for him, and his aristocracy of manner, and the natural grace with which he presents the dancing, even justify the piece—at least in part.

The contrast between Dowell's account of the central role and Nureyev's, last week with the Dutch National Ballet, is fascinating. Nureyev's was in every way a conscious performance; Dowell sails through it with an air of divine right. In such a small matter as the fifth positions which the lead dancer must take up, Nureyev's sharpness in placing was as if he must seize on to the position to reassure us of his identity as a classical dancer; Dowell at the same moment appears at ease, as he does, superbly, throughout this sodden tribute to him. The men's pink blouses look more desperate than ever: they could have been bought at a *very* trendy boutique at Sodom-Plage.

The performance of *The Firebird* which formed the centre of the programme was dedicated to the memory of Tamara Karsavina, the first Firebird. In Monica Mason, the Firebird of the evening, we had a worthy inheritor of this taxing role, who showed "the mighty beat of wings" that Fokine asked of Karsavina. With her grand jump, and that musicality which sustains her every step, Mason commands the role as she does the stage.

As in so many of her best interpretations, we sense a force that is superhuman, larger and more exultant in impulse, in her movement. Imperious, magnificent, with eyes used as sensitively as her arms, Monica Mason has made the part her own in one season.

The ballet itself comprises a glorious score, superb sets, but it has moments so lambently silly in Kastchey's realm as his assorted minions quiver and collapse by numbers that they might well fit into the succeeding *Concert*, were it not for the concentration of Mason's performance, the splendid, rickety malice and enjoyment Derek Rencher brings to Kastchey, and David Drew's noble simplicity as Ivan Tsarevich. They make the ballet work, and we succumb to its fairy-tale magic.

The Concert, with its hallowed cast of Lynn Seymour, Georgina Parkinson, Michael Coleman, produced more laughter in the house than I have heard before. The amusement was merited: the artists were in tremendous form, with Seymour disposing of an extra hand and slumping under her blue bonnet like the Bernhardt of Bow Street, and Georgina Parkinson and her five accomplices gloriously funny in the disasters of the wrong-step waltz. Welcome home, Royal Ballet.

Pletnyev debut fixed for March

Mikhail Pletnyev, winner of the 1978 Moscow International Piano Competition, will make his British debut at the Royal Festival Hall, London, on March 26.

The 21-year-old pianist will repeat the performance of Chaikovsky's Piano Concerto No. 1 which won the competition. The following evening Pletnyev will give a solo recital at the Queen Elizabeth Hall, London. Further recitals at other British centres are also planned.

Open Air, Regents Park

Shaw double-bill

Shaw makes a welcome change at the Open Air Theatre, where in earlier days he once wrote a piece for its special use. The two plays that make up the evening are not of equal merit by a very long way; *The Man of Destiny* is an ingenious exercise in the use of deceit, with characters that have a good deal of humanity in them, but *The Dark Lady of the Sonnets* is one of Shaw's wilder essays in farce, and its characters are puppets.

Napoleon, in the first play, is no kind of portrait of that great captain; he is any self-confident soldier necessary for the plot about the girl spy and the arrogant young lieutenant. Ian Talbot strikes some Napoleonic attitudes from time to time, but they are just a bonus to his performance. As the young lady who steals the despatches from the lieutenant, Maria Aitken gives a luminous display of womanly double-talk; she and Napoleon score points off one another as fetchingly as if they stood opposite one another at Wimbledon, and Miss Aitken has a bonus of her own when she comes on in a military uniform that suits her to perfection.

There is no very serious argument in the play, but Shaw has fun discussing the middle classes, and the nature of courage, and the qualities of the English, and it's fun for us too. The melodramatic plot serves only to support the enjoyable talk, but it is ingeniously worked out all the same. Clive Carter gives the young lieutenant all the required aristocratic impudence and Keith Varnier makes as much of the landlord (who has some pretty wise observations of his own to make) as Shaw offers. The director is Richard Digby Day.

The Dark Lady of the Sonnets (directed by Christopher Biggins) is no more than a pamphlet calling for the stablishment of a national theatre. There is a tiny anecdote at its centre about Shakespeare encountering Queen Elizabeth when he should have been meeting Mary Fitton (whom Shaw, who had not read the works of A. L. Rowse, believed to be the Dark Lady), but it is only there to bring the characters on stage. Once there — and the Dark Lady is not there very long — the conversation is mostly about the function and the value of the drama. Very theatrical conversation it is, too, so much so that Shakespeare is constantly bringing out his tables and setting down some observation by the Queen or by the Beefeater whose job it was to prevent his being there.

Pretty simple jokes they are, for the most part; and now we have a national theatre whether we like it or not. But "send 'em out laughing" is still a good principle, and the cultured audience around me, most of whom seemed to be having a night off from the National Theatre with capital initials, picked up the Shakespearian references unfailingly and laughed like anything.

B. A. YOUNG

Peter Diamand takes over RPO

Mr. Peter Diamand, director of the Edinburgh Festival since 1965, has been appointed general manager and a director of the Royal Philharmonic Orchestra from October 1.

At a reception yesterday to mark the occasion, Mr. Diamand spoke of the difficulties facing London Orchestras, including finance and rehearsal facilities.

"It is remarkable that the orchestras maintain a standard that is one of the main reasons for London being the music capital of Europe, if not of the world," he said.

Mr. Diamand, a Dutch citizen, has been director of the Edinburgh Festival more than twice as long as any of his predecessors. Previously he had been general manager of the Holland Festival and in 1955 he was instrumental in founding, with the help of the Dutch Government, the Netherlands Chamber Orchestra.

He will continue to act as an artistic adviser to the Orchestre de Paris.

FINANCIAL TIMES

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The true cost of gas

WHATEVER VIEW may be taken of the way in which the Gas Corporation has chosen to calculate its profits, the figures it announced yesterday may strike many people as being somewhat on the high side. The reported profit of £180m after charging interest and current cost depreciation and after writing off the last tranche of the costs of converting the industry to natural gas is equivalent to a return of 7 per cent on turnover. This is a notable figure for any organisation which, like most other nationalised industries, is financed entirely on the basis of loan capital and which is also providing for the full current replacement cost of its fixed assets.

However, several points should be borne in mind in judging the corporation's performance. One is its rapidly changing cost structure. Up to now, British Gas has been enjoying the benefit of the relatively low-cost gas supplied under long-term contracts from the southern basin of the North Sea but these are now being steadily supplanted by the newer and more expensive supplies from northern fields. In the present year, for instance, almost a quarter of the corporation's purchases are expected to be drawn from the northern basin, as against only 7 per cent last year, and this is expected to raise the overall cost per therm from less than 2p in 1976-77 and barely 3p in 1977-78 to around 5p in the current year.

Continuity

The corporation's current profitability reflects, secondly, the 10 per cent price increase forced upon the industry as part of the package of economic measures associated with the IMF loan in the winter of 1976-77. The influence of this factor should similarly fade with time, since Ministers' desire to reduce the public sector borrowing requirement by calling for the accelerated redemption of a nationalised industry's loan debt ought never again to be the dominant influence in state industry pricing policy.

The proper basis for setting prices in the state sector as in the private sector ought to be two factors—the level of prices set by competition on the market and the full resource cost of ensuring continuity of supply. It is these considerations which will determine whether new investment is likely to be profitable and ensure that consumers are paying the full resource costs of their supplies. It is however one thing to subscribe to these principles and another to apply them in practice.

Finite

In the first place, market competition is not dominant throughout the nationalised sector. The gas industry may be more exposed to competition than some others, but it does have the first option on North Sea gas used for heating and it has a quasi-monopoly power in the domestic sector in the sense that householders are unlikely to switch rapidly to alternative fuel-burning systems. These constraints on the competitive process are the justification for setting performance indicators as well as financial targets for each state board and for using the Monopolies Commission to investigate possible abuses of market power (such as the current investigation into the supply of domestic gas appliances).

In practice, price control in the latter 1960s and the early 1970s served to hold domestic gas tariffs well below economic levels. Indeed, even after last year's price increase, other fuel industries have been openly saying that, considering the finite nature of North Sea gas resources and the need to encourage energy conservation, gas is still being sold too cheaply. Up to a point, the Gas Corporation has accepted these arguments but it prefers to see a smooth movement of gas prices towards the time in the 1980s when not only will North Sea supplies be costing it much more but the period of rapid expansion in gas sales will be over. However difficult it may be to judge the right balance, at any particular time, it is these considerations rather than any political desire to protect other fuel industries which should determine gas prices and thus the amount of profit which the Gas Corporation is expected to earn.

The challenge to the OAU

THE ORGANISATION of African Unity, which began its annual summit meeting in the Sudanese capital yesterday, is facing perhaps the biggest crisis of its 16-year existence. The Organisation was formed in 1963 in the aftermath of Europe's major decolonisation of the continent, when the brave exhortations to unity of men like Ghana's Kwame Nkrumah filled the air. Even then, the OAU was not without problems: the incipient Algerian-Moroccan war of that year provided the Organisation with its first major challenge: there followed the Nigerian-Biafra war, and numerous other local disputes

But this year its 49 members face a challenge to one of the Organisation's most cardinal principles. The OAU has always maintained that African problems should be solved by Africans, without the intervention of foreign powers. Yet today, there are thousands of Cubans fighting in two of Africa's six wars: Russian military advisers are in a dozen key African countries: and French troops are helping at least three governments

Country's finances

In Zaire, following the second Shaba invasion, western countries are not only helping President Mobutu rebuild his demoralised army, but are effectively taking charge of the country's finances.

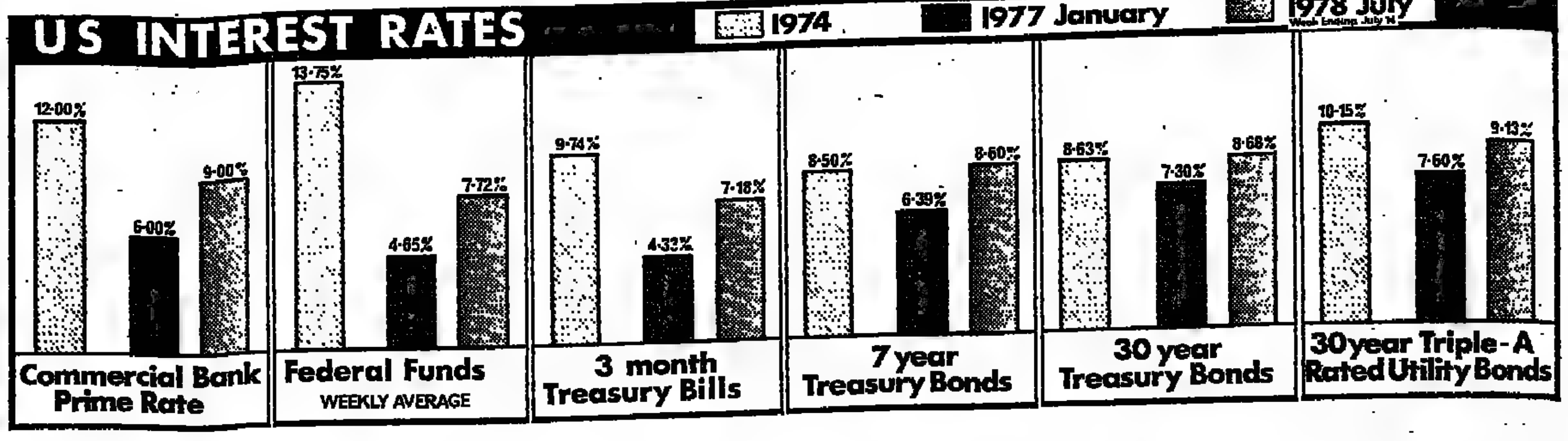
The deep irony of the present situation is that all the foreign troops and military advisers are in Africa at the invitation of independent African governments, whose perceived national (or sometimes party) interests have, perhaps inevitably, transcended the principles of the OAU to which they all theoretically subscribe. Not surprisingly in this regard the OAU has been criticised from within and outside the continent for being two-faced, yet the issues are such that the OAU cannot be so easily dismissed. It remains to be seen whether the assembled heads of state will be able to do more than paper over their differences on the central issue of foreign intervention, which so far at least has centred on the controversial proposals for a Pan African Defence Force, an idea canvassed by the French Government at the time of Shaba and roundly criticised (partly because it could involve non-African military aid) not only by the continent's so called radical states, but also by middle of the road countries like Nigeria and Sudan.

There are suggestions from within the OAU of an all-African defence force, mooted many times and no more likely to get off the ground now than before. There are also proposals for reorganising the OAU mediating machinery, possibly with the introduction of some sort of OAU Security Council. That too could well be a non-starter, though the mediating and possibly reforming influence of this coming year's new OAU chairman, President Nimeiri of Sudan, could be considerable.

But despite African weakness, and contradictions, it would be a mistake for the West (or the East) to belittle the stated African desire to keep the continent free of great power conflict. It is encouraging in this respect that key western governments (including the British) seem to have decided not to play a "tit for tat" game with the Russians in Africa, but instead to try where they can to foster unity between states.

This they appear to be doing successfully in one key area. Angola has indirectly admitted that it was through U.S. mediation that agreement was reached this week with Zaire on the reopening of the trans-Angola Benguela railway. It is recent western cooperation with Angola, as well as with other African frontline states, which has produced outline agreement on Namibia. The ultimate effect of these two agreements could be to help stabilise Angola's borders to the point where it will no longer need its vast array of Cuban and Russian backing. The West cannot and should not interfere in African affairs against the express wishes of the OAU or its member states, but it can and should help Africa to keep the continent free of big power conflict.

Mr. G. William Miller.



Money policy: the dilemma facing the Fed

BY STEWART FLEMING IN NEW YORK

FIVE MONTHS into his first term as the new chairman of the Federal Reserve Board, Mr. G. William Miller appears to be on the threshold of the difficult monetary policy decisions many predicted would mark his first year in office.

The Fed's monetary policy-setting arm, the Open Market Committee, met yesterday against the background of a renewed surge in the U.S. money supply and warnings that the economy is headed for either faster inflation or recession.

As the committee charts its monetary policy for the coming months, it must decide which of these threats is of greatest immediate concern.

On Wall Street, there are predictions that the committee will move to tighten credit again in the wake of yesterday's meeting.

In setting its policy, the committee can hardly ignore the rumblings of concern about rising interest rates from senior Carter Administration officials for the first time since Mr. Miller took office.

Since April, the Fed has contributed to pressures pushing U.S. interest rates higher. Thus the commercial bank prime lending rate has risen over this period from 8 to 9 per cent, and other money market rates have matched the increase.

However, in marked contrast to the persistent sniping at Mr. Miller's predecessor, Dr. Arthur Burns, Carter Administration officials initially said nothing in public about the movement.

But at the beginning of this month, Mr. Robert Strauss, the man spearheading the Administration's anti-inflationary policy, complained to reporters that the Fed's monetary policy was "counter-productive." He said that it is more difficult for him to press for wage restraint when interest rates are rising "since most people in this country are borrowers."

And this point was driven home when, later in the week, the Federal Home Loan Bank Board reported that the average cost of a mortgage on a house in the U.S. had risen to its highest level since the government began collecting statistics in 1963. In some regions mortgage rates stand now at 10 per cent.

Subsequently, Mr. Charles Schultz, chairman of the President's Council of Economic Advisers, warned that high interest rates would threaten the Administration's growth targets.

The most visible barometer of the anxieties concerning in which direction the economy is headed has been Wall Street's financial markets.

Through April and May, share prices shrugged off renewed interest rate increases and staged one of the most spectacular rallies in recent years. On record volume, the Dow Jones Industrial average soared 100 points to 866.51 from the end of March to the beginning of June. In June, renewed uncertainties began to chip away at that rise. The share market appears to be regaining some composure this month, but few economists are confident that the evidence supporting the firmer trend is very convincing.

More significant, perhaps, has been the weakness of the long-term bond market throughout the period, since bond prices are always a sensitive indicator of inflationary expectations.

Yields on Triple-A rated utility securities have risen by about half a percentage point over the past three months to just over 9 per cent, and the U.S. Treasury has had to pay its highest-ever nominal rate of interest — 8¾ per cent — to float a long-term, 15-year bond.

As the table shows, these increases have yet to take interest rates to historical peaks but one of the key questions in the intense debate about where the economy is headed is whether these peaks will be tested again, and if so when.

There are three differing views:

On one side there are fears that the upward shift in interest rates since April reflects not just a stricter Federal Reserve monetary policy, but surging demand for credit and an overheating economy. On this view, unless these demands are checked, economic growth reined in and firmer action taken to curb inflation and federal government spending, the economy could be headed for even faster inflation and ultimately what is loosely termed "a credit crunch" — a phrase which summons up memories of 1974, when interest rates soared and funds for lending dried up.

A contrary view is that the economy is already slowing fast enough to cool inflationary pressure and that an even stricter monetary policy at this time will only tip it into a recession, or a deeper recession than the one it is already headed for.

The middle ground, for which the Carter Administration is aiming, would be a slowing of the economy from the unsustainably high growth in the second quarter (expected to be at an annual rate of 8-9 per cent in real terms). Ideally, growth would continue, perhaps in the 3-4 per cent range, which would help to ease inflationary pressure. But the decline would not be so sharp as to seriously aggravate unemployment or further threaten an already imperilled rate of capital spending.

Many economists outside the Administration view this last course as the most difficult, and therefore least likely, path into the future.

The problem for economic policy-makers is that the statistical evidence which might help determine whether accelerating inflation or recession is the greater threat is inconclusive. But with the economic recovery now into its fourth year and inflation in the first half running at a 10 per cent annual rate according to Carter Administration officials, the risks of making the wrong policy choices clearly could be extremely serious.

Thus Dr. Henry Kaufman, a partner of Salomon Brothers, the New York investment banking house, and who is widely recognised as an authority on financial markets, last month warned the Joint Economic Committee of Congress that "our economy and financial markets are on a treacherous course."

Dr. Kaufman drew attention to studies by the Federal Reserve Bank of St. Louis and Mr. Michael Wachter, of the University of Pennsylvania, which suggest that because of structural changes in the economy the level at which labour resources become seriously stretched is now an unemployment rate of 5½ per cent, not, as was generally supposed in the 1960s, around 4 per cent. (In June the unemployment rate in the U.S. fell, ominously on this view, to 5.7 per cent.)

Dr. Kaufman went on to point out that there is, too, a shrinking availability of skilled labour which aggregate statistics do not reveal. Other economists have argued that structural changes mean that current levels of industrial capacity utilisation are also, in practice, putting greater pressure on resources.

Much of Dr. Kaufman's concern, however, focuses on what he describes as "the reckless pace" of the growth of debt in the U.S. This, he said, had increased at a 14 per cent rate in 1977 and was rising even faster this year. By comparison, debt-growth during 1962-71 averaged 7.4 per cent.

He drew attention to the growth of the money supply, which he said on its narrow definition had been rising since mid-1977 faster than the Fed's long-term target rate. No less important, he argued, is the fact that sharp increases in interest rates over that period appear to be having little visible impact in bringing about monetary restraint.

Here again, economists point to structural changes in the economy which they suggest will mean that rising interest rates will not bite into economic activity as quickly as in the past.

They point to recent decisions to allow banks and the financial institutions which finance home loans to pay higher interest rates on deposits. They point to new financial instruments for packaging home loans and reselling them from the initial lender to other financial institutions in order to generate new funds for lending. These changes, it is suggested, will mean that more credit is available from banks and savings and loan associations at higher levels of interest rates.

Thus it is argued that it is less the availability of credit and more the eventual inability of people to pay high interest rates for it which will curb the expansion of the housing sector and that this will happen more slowly than in the past.

Dr. Kaufman fears that the economy is not slowing as much as others suspect and he warns that the U.S. could well come close to testing the previous cyclical high in the annual inflation rate of 11.6 per cent, hit in the first quarter of 1975.

The contrary view is that economic growth is already headed sharply downward. Mr Erich Heinemann, a money market economist with invest ment bankers Morgan Stanley, leans towards this interpretation of events although, like Federal Reserve chairman Mr. Miller, he makes a point of not ruling out some of the dangers Dr. Kaufman foresees.

Mr. Heinemann's view is that "the authorities (both fiscal and monetary) no longer have the option of avoiding recession but only of taking actions that will affect its timing." Some would add, too, of affecting its severity. He argues therefore that the largest part of the cyclical rise in interest rates in the current business expansion has now been completed. Interest rates will peak, he suggests, some time around the final quarter of this year or early in 1979, with long-term bond rates on Triple-A telephone utility issues not rising substantially above 9 to 9½ per cent.

Among the arguments used by economists who hold to this general forecast is one that some of the apparent excesses evident in the second quarter of the year mainly reflect the surge in economic growth in that period as the economy made up for the flat first-quarter's performance.

Now, it is claimed, not only is this catching-up process over, but pressures are building up which will slow the economy sharply. It is suggested that with debt repayments (including mortgage debt) now accounting for an historically high 20 per cent of disposable income, the consumer, who has powered the growth of the past three and a half years, will baulk at taking on new burdens. Business, anticipating this, will ease back on stock building and perhaps be cautious about new production schedules, and capital spending is not, and will not be, buoyant enough to give the economy a new boost.

Whichever of these alternative views is taken, much seems to depend on interpretations of consumer attitudes. How deeply, for example, has the inflationary psychology become embedded in consumers' minds?

There is ample evidence in the most recent minutes of the (May) meeting of the Open Market Committee and also, implicitly, from the June decision by the Fed's governors to raise the discount rate from 7 per cent to 7¼ per cent, to suggest that there is as much argument within the central bank about where the economy is headed as there is outside it.

That decision on the discount rate was noteworthy not only because of the relatively modest increase relative to earlier movement in market rates, but also because, for the first time apparently since the Second World War, the chairman of the Board (Mr. Miller) allowed himself to be outvoted.

Mr. Miller subsequently explained that one of the reasons he opposed the increase was that before raising interest rates again he wanted to see clearer economic data on where the economy is headed. He has also pointed out that historically the central bank has not been too successful in avoiding overly restrictive monetary policy decisions.

These remarks and actions by Mr. Miller in recent weeks have led some observers to conclude that he will not be anxious to impose a stricter monetary policy at this juncture.

This approach would fit not only with what Mr. Alan Lerner of Bankers Trust has described as Mr. Miller's gradualist approach, of fighting inflation over years rather than months, but also with his earlier expressions of a desire that the Federal Reserve should not be saddled with most of the burden of fighting inflation.

In his first months in office, Mr. Miller has, many on Wall Street would argue, taken up the reins of office with impressive skill. He has begun to carve out for himself a prominent role in economic policymaking. But some would also argue that the coming months will provide a severe test of this approach.

MEN AND MATTERS

Ford clears his field of fire

The advance publicity for U.S. Ford's new model Mustang showed the company president, Lee Iacocca, standing proudly beside the bonnet; after all, the first (and hugely successful) Mustang was his greatest marketing triumph. But the world's motor industry is now pondering the significance of Iacocca's sudden exit from the presidency after eight years. At this week's unveiling of the latest model, his forceful personality was absent, yet keenly remembered.

Iacocca was heir apparent to Henry Ford II, now 63, and connoisseurs of the Ford succession saga recall the lightning dismissal in September, 1969 of the previous president and seeming heir, "Bunkie" Knudsen. At that moment, Iacocca sat on the platform smiling and smoking a large cigar. Knudsen had lasted only 19 months. Before him, quite a few other senior executives had fallen to the power of the man who once succinctly explained his strength: "My name is on the building."

There was Harry Bennett, for example. Hired in 1916 by Henry Ford, the founding patriarch, he was by the 1940s controlling the company with ruthless determination. Henry II took nominal control in September, 1945, after his mother had threatened to sell her stock to outsiders; he immediately sacked Bennett. In a tense confrontation with John Bugas, the young Henry's ally, Bennett pulled out a revolver. "My .38 was just inside my jacket. I was ready if it looked like my life was involved," said Bugas afterwards.

Henry II brought in a General Motors veteran Ernest Breech. In 1960, Breech left after Henry reportedly told him: "I've graduated." In 1963, Arjay Miller—recruited as one of young Henry's "whizz kids"—became president. Miller returned from a trip to Latin America in 1968 to learn that he was being replaced by Knudsen, then executive vice-president at General Motors.

Iacocca claims that he, too, is being unseated because "Henry just does not want strong guys around." One company associate remarks: "Lee is like a Medici prince. He created his own city state." Speculation has it that Henry plans to leave his younger brother William Clay Ford holding the wheel when he retires in 1980 and that William, in turn, will be succeeded by Henry's son Edsel, now 29 and being groomed for senior management.

This is obviously a trying time for Henry Ford and for the company. The Justice Department is investigating whether Ford paid a bribe to secure an Indonesian contract in 1975; the safety of its Pinto small car is being questioned by government investigators; and Henry himself is being sued by a group of shareholders alleging that he took a $750,000 kickback from a supplier and misused his powers. But there is no doubting Ford's characteristic response. Last year he was arrested on a driving charge with a young female companion as passenger. Questioned about the matter at a Press conference, he replied: "Never complain, never explain."

"They're afraid of an EEC currency mountain."

All embracing

Lord Longford may have his critics, but they could never accuse him of being without novel answers to hard questions. Yesterday a committee of which he is chairman proposed increased compensation for victims of violent crime. After the press conference, Longford was asked if he saw any inconsistency between his campaign to free Myra Hindley—one of the Moors murderers—and his advocacy of more help for sufferers from crime. "I supported both sides in the Spanish civil war," he said.

Gone west

A move into the Home Counties from the City may seem a daring venture for many companies. But London and Manchester Assurance has shown its pioneering streak by going down to the West Country. Six hundred employees have been moved to a £5m office complex surrounding a 200-year-old manor house near Exeter. The London and Manchester chairman, Lewis Whyte, takes satisfaction from telling how the cost of the Winslade Park site, including the manor, was £250,000—equal to one year's rates for the company's former headquarters in Finsbury Square.

The final restoration work is being completed and the office blocks are designed to harmonise with the surrounding building. The park is the manor of Clyst St. Mary, which in the 11th century was owned by the wife of Edward the Confessor. London and Manchester has become the biggest private employer in the Exeter area.

While an electronic security system was being installed by Mastiff, a Leatherhead company, Commander Nevill Porter, the managing director of Mastiff, must have felt a certain nostalgia. The life insurance company's new headquarters had once been owned by his family. Porter's great great grandfather had bought Winslade House—with 500 acres—in 1821 for £28,000; the family sold out in 1910.

Highly marginal

On past form, fringe banking may hardly be considered as synonymous with astute financial thinking. But it seems that the people in it can at least be associated with the art of gracious living. Readers of the FT may have noticed a small advertisement yesterday headed "Contents of Fringe Bank." Among the items on offer were: "Exceptional quality office furniture, teak desks, hide chairs, swivel chairs in tweed. . . ."

Tasty stuff

The brochure put out by Imperial Tobacco (Imports) says on its front page: "Shaped like a dream . . . Smooth to the touch . . . And makes one passionately long for . . ." Nothing to do with cigarettes, but announcing the latest offering from Danish confectionery makers Anthon Berg.

The range should be a big seller with the teenagers who stared round-eyed at Wimbledon. It is named after Bjorn Borg. Fans can now devour him in nougat and hazelnuts.

Observer

The innocents of product liability

BY JAMES TYE

[EV]ERYONE from the insurer [wh]o commits himself to under[wr]ite any losses, to the lawyer [wh]o takes the case to court is, [it] seems, well versed in all [as]pects o. product liability. [Ev]eryone that is, except he who [is] likely to be most dramatically [aff]ected — the manufacturer [hi]mself.

A product liability survey, [ju]st completed by the British [Sa]fety Council, indicates that a [ve]ry high proportion of British [co]mpanies, some of whom ex[po]rt to the North American [m]arket, are completely out of [to]uch with the latest features of [th]e product liability situation [an]d the size and volume of [cla]ims, particularly in the U.S. [Ov]er half have either failed to [ta]ke out special product liability [in]surance or simply do not [kn]ow whether they possess such [co]ver, and the vast majority [kn]ow little or nothing about [ei]ther the EEC Draft Directive [on] liability or the Report of the [E]nglish and Scottish Law Com[m]issions, both of which contain [re]commendations likely to be [m]ade law.

The case for British com[pa]nies insuring against product [li]ability before any change in [th]e British law is made is that [an]y company, even if it does not [ex]port to the U.S., can never be [su]re that one of its products [w]ill not find its way to America, [so] that it will not injure an [A]merican citizen in Britain.

The BSC survey, conducted [ov]er a two month period, covers [1,]520 companies in Britain, the [st]atus of individual respondents [va]rying from top managers and [co]mpany secretaries to chief [sa]fety officers.

Out of the total sample of [1,]520, 974 companies or 64 per [ce]nt were involved in the manu[fa]cture, assembly or exporting [of] consumer goods. Quite an [in]nocuous pursuit one would [h]ave thought until you consider the case of the American woman — whose poodle was killed in a micro-wave oven when she tried to dry the dog in it, and who later successfully sued the makers of the oven for false description. Moreover, once the Foreign Judgments (Reciprocal Enforcement) Act is ratified between the American and British Governments, American citizens will be able to file such law suits against British manufacturers with great ease.

Latest claim

Because two-thirds of the respondents were involved in one way or another with consumer durables, some actively exporting to the U.S. and Canada, the logical second question was were they conversant with the latest claims on the other side of the Atlantic — a feature of the liability problem with which any manufacturer, exporter or not, should be acquainted. Rather alarmingly, only 45 per cent were able to answer "yes." Quite clearly the fact that an estimated 1m liability suits were lodged last year in the U.S. alone (resulting in some 500,000 companies being taken through the courts, with some such as Ford Motor directed to pay out large amounts of compensation) has not yet permeated the higher echelons of British management. In one case, Ford was directed to pay a badly injured car passenger $126m, although this sum was subsequently reduced on appeal.

True, awards in America are 17 times greater than in Britain at present. One of the recommendations of the English Law Commission's Report on liability is, however, that no ceiling be put upon compensation payments when we finally legislate for strict liability in Britain.

In the face of this apparent ignorance, it was surprising that only 420 companies interviewed in the survey had not taken out special product liability insurance. Somewhat disturbing, however, was that a third of the respondents simply did not know whether such insurance had been taken out. No such confusion reigns in America where manufacturers have learnt to count to their bitter cost the exact price of insurance cover. At the First World Congress on Product Liability, held in London last year, the managing director of a large American engineering company recounted how his insurance premium had rocketed from $4,000 in 1969, to $440,000 in 1976. At the risk of pricing himself out of the market he raised the cost of his products by 10 per cent. How many British manufacturers could withstand this kind of assault?

Slightly more heartening was that when asked whether their safety and quality assurance department followed a product liability checklist, 54 per cent replied "yes." Any faint euphoria this might arouse must be tempered, however, by the consideration that for some sections of the manufacturing industry quality assurance consists of no more than random line sampling.

Two of the most important documents on liability published recently have been the EEC's Draft Directive and the Report of the English and Scottish Law Commissions. The general conclusion of both documents, not to mention the report of Lord Pearson's Royal Commission on Civil Liability, is that strict liability for manufacturers be introduced as speedily as possible. The results of the Safety Council's survey reveal, however, that 62 per cent of British companies are not even aware of the EEC stand on liability, and worse still, 71 per cent are not conversant with the Report of the two Law Commissions.

Only 370 of the 1,520 respondents were able to confirm that their companies had set up, under a senior manager, a product loss control department or committee of all people responsible for the design, quality, safety and insurance of products. Such expert managers are commonplace in the U.S. and yet it would be no exaggeration to say that liability litigation has run riot in that country. One cannot help but have apprehensions about British industry.

Indeed, for many it could already be too late. New legislation on liability is now beginning to creep into Britain. In February, the Unfair Contracts Terms Act unobtrusively appeared on our Statute Book. In spite of its rather cumbersome title, it has the effect of preventing manufacturers or proprietors from disclaiming liability or responsibility for faulty products and unsafe services. Those plaques, boldly displayed in cinema cloakrooms and multi-storey car parks, proclaiming that articles are left at the owner's risk, no longer provide exemption from prosecution under the new law.

Unless it is to be caught on the hop by further and stiffer legislation, British industry must face up to and decide upon one of the four options open to it. Because of the enhanced risk that now accompanies all manufacturing, a company can do one of the following: *retain* the risk by keeping it within the company; reduce the risk by strengthening quality control and introducing safer variants; *transfer* the risk to an insurance company; or, fourthly, avoid the risk altogether by taking its products off the market.

In the long run, reduction of the risk is the only feasible option. But British industrialists seem destined to adopt the dubious combination of *retention, transfer and avoidance.* However, many small companies simply could not cope with the possibly disastrous consequences of retaining the risk—one large claim could mean automatic bankruptcy. Similarly, the option of transference is also being closed, either because premiums are too high, or because insurers are beginning to deem the risk factor associated with certain products too great—new pharmaceutical drugs, for example. And the fact that there can be little future in the technique of avoidance must be self-evident.

A good example of British reluctance to face up to the evidence was given recently by Mr. Michael Meacher, MP, Under Secretary of State for Trade, when he said that if product liability legislation proved detrimental to British exporters, then he would "make the strongest representations to the U.S. Government." The U.S. law is indeed detrimental to our exporters (some companies have been forced to pull out of the American market altogether); and indeed Mr. Meacher has made representations. But unfortunately the ball is not in our court this time so we cannot stop the game.

Nobody in Britain wants a re-run of the American experience. What everyone wants is safer products. And this can only be achieved if British industry commits itself, with the involvement of professional safety officers, to the principles of product loss control committees, with the sincere desire to design and introduce quality assurance arrangements and genuine consumer feed-back systems.

After hundreds of years in the darkness, product liability and its inevitable bedfellow consumer redress, begin to assume the proportions of a gentle giant. Either industrial wisdom will bend to the giant's remorseless persuasion, or he will pick our industrial system up between thumb and forefinger and quietly squeeze it.

Very often survey statistics can be infinitely manipulated to signify almost anything. On this occasion, however, the facts clearly indicate that we have underestimated both the size of the giant and the power of his hand.

The author has been director general of the British Safety Council since 1963.

SOME KEY SECTIONS OF A 40 POINT CHECKLIST

- Has a clearly written product loss control policy been issued over the signature of the managing or works director?
- Is that policy short, clear understandable, distributed to all departments, people affected and re-stated twice yearly?
- Has a top level manager been designated to co-ordinate the product loss control policy?
- Has a product loss control group been formed to implement the policy?
- Does representation on the product loss control group include "decision makers" from (a) Design Engineering (b) New Products Department (c) Manufacturing (d) Quality Control (e) Service Department (f) Legal (g) Advertising and PR (h) Personnel?
- Is the product loss control group in a position to recommend changes or amendments in policy?
- Have designers (or new product development staff) been trained to build in safety reliability and easy maintenance to new products?
- Are products subjected to checks (particularly critical parts) using systems analysis, prototype testing or other accepted methods?
- Are potential hazards shown clearly in the language of the intended user in (a) warnings on the label of the product (b) labels on the package (c) on the operating and maintenance books/manuals?
- Is the Quality Control Department sufficiently separate from Manufacturing that they have direct access to top management, and do they have the authority to stop the job if required?
- Does Quality Control have statistical sampling techniques operating well enough to ensure acceptable standards?
- Are suppliers told of the final use of materials and are suggestions regarding improvements encouraged from suppliers?
- Do ad-men, salesmen, etc., understand the dangers of words like FOOLPROOF, ACCIDENT-PROOF, CHILDPROOF, "ANY CHILD COULD DO IT" and other extravagant claims?
- Does all printed material show by illustration rather than words (particularly if the product is aimed at a non-technical group of consumers) any dangers inherent in the product or in its application or operation?
- Does the advertising manager (and through him the advertising agency) check copy for adverts with the Advertising Standards Authority and Code of Advertising Practice to ensure compliance with voluntary and statutory requirements?
- Do Legal and Design Departments have a sight of all advertising—material, sales brochures, operating manuals, etc., to check for misleading statements?
- If investigations are properly carried out, is the investigator sufficiently trained to determine basic causes rather than seeking to "blame the customer"?
- If investigation shows that the complaint is justified, is the right action taken? In particular, are (a) changes made to design, manufacturing, quality control, service (b) complete recall of product or field modification carried out?
- The five avenues of inquiry that investigators should be trained in are (a) what is the defect that is claimed to exist? (b) is there a defect and did it cause an accident? (c) was the claimed defect in existence at the time the product left the manufacturer? (d) what was the accident/injury/breakdown? (e) in what manner is the maker claimed to be negligent?
- Are the records of purchasing, design, manufacturing, quality control good enough to identify sources?
- Does top management act promptly on recommendations of product loss control group?

Source: British Safety Council

Letters to the Editor

Venture capital

[F]rom Dr. S. Castell

Sir,—I must, of course, add my [su]pport to Edward de Bono's call [fo]r a risk-bond-issuing Angel [C]orporation (July 13)—as, in[de]ed, should all innovative, en[te]rprising, lateral and practical [th]inkers. It is something we [ha]ve talked about for some time [n]ow. I would refer to letters [of] mine last year wherein similar [id]eas for a "venture capital [ga]mblers' bond" and a new risk[-ca]pital organisation staffed itself [by] entrepreneurial, buccaneering [b]ankologists" were extensively [di]scussed.

To complete the picture, a [su]itable angelic host would also [pr]ovide additional back-up ser[vi]ces to fledgeling enterprises in [th]e way of company administra[ti]ve, management, fiscal and [m]arketing skills, and possibly [fa]ctoring finance.

All these admirable and, some [m]ight say, obvious, proposals [re]main, however, merely a [he]avenly, angel-in-the-sky dream [w]ithout the single, simplest inno[va]tion of new-venture taxation [re]form, an aspect on which de [B]ono rightly focuses. One can[no]t attract down-to-earth angels [w]ithout positively encouraging [th]em to become personally [w]ealthy, whether as a result of [le]ss-taxed accumulation of [in]come/dividends from the inno[va]tive "Broadway Industrial [Hi]ts" they back, or by way of [ev]en-less-taxed capital gains on [re]investment through a bounc[in]g stock market, itself therefore [fr]eed from present constraints [de]signed, it seems, with quite [th]e opposite end of keeping out [th]e private investor.

But how can a Socialist gov[er]nment, even when some recent [po]lls suggest that the majority [of] the electorate, of whatever [po]litical hue, would be in favour, justify an overt encouragement of "high personal rewards for high personal risk-taking and innovation"? By encouraging such individual wealth-making in the area of new technology-based venture financing, that's how! And within that more limited, but still broad spectrum, of industries, focusing particularly on the rapidly converging fields of computer hardware/sofeware, telecommunications, office automation and data bases, now being increasingly referred to collectively as information technology (IT).

And perhaps the Government has at last begun to sniff the new IT risk-capital breeze that wants to blow, with its recent dramatic involvement with microelectronics—the guts of IT —as evidenced by sector working parties, think-tank studies, National Enterprise Board and Department of Industry findings. Alas, entrepreneurial industrialists have seen the poor results of this classical form of government intervention too many times in the past; I suspect they would rather prefer a little fiscal encouragement for private wealth risk-taking breezes, and it would not take too much to fan the celestial zephyr currently emanating from potential private angels into a mighty IT-backing gale!

These two subjects: risk-capital for innovation, and a UK strategy on perhaps the major industry of the future, information technology, are to my mind dual and inseparable, and are among the principal topics of concern of AGIT: Action Group on/for Information Technology.

(Dr.) Stephen Castell.
Furlongs, Grange Road,
Wickham Bishops, Witham,
Essex.

Ten times twelve

[Fr]om Mrs. E. Wittenberg.

Sir,—Within the past fortnight [I] bought ten items at 12p each [in] three different baker's shops [in] north-west and west London. [In] each shop the young assistant [lab]oriously wrote down 12p ten [ti]mes and added up the column. A great deal of time and effort [ha]s been spent on improving [me]thods of teaching mathe[ma]tics to school children. If [sch]ool-leavers do not know how [to] multiply by 10, what more [c]ould be done?

[(M]rs.) E. Wittenberg.
Fairacre, Church Road,
[L]eworth, Middlesex.

Management training

[Fr]om Mr. R. Nickson

Sir,—In his review of my book [H]ow to be a Successful Manager" [(J]une 29), NL comments that [m]anagement "pundits" mostly [st]ate what is obvious or already [we]ll known but that managers [re]ad their books to gain re[as]surance.

His underlying assumption [that "e]veryone knows that" is not [su]pported by evidence from the [m]any organisations in which, for [ex]ample, managers are not sure [wh]at results they are expected to [ac]hieve or the limits of their [au]thority; have more than one [bo]ss giving them conflicting [in]structions; are demotivated by [th]e witting actions of their [su]periors; suffer from under or [ov]er control. It seems that the ["o]bvious" maxims of good [m]anagement are either not so [wi]dely understood as NL assumes [or] that they are not observed in [pr]actice.

Managers cannot pick up their [ne]cessary knowledge as easily as [th]e key to the executive loo. They [ne]ed training. And many managers have never been trained in the basics of their job even though they may have attended courses on techniques. Others may have learned as students when they lacked the experience to assess the relevance of what they were taught—often by people who had never actually managed anything.

Instead of the "once for all" type long course given to the few there is a need for short courses available to all. The foundation course (two weeks?) would be taken on first appointment. It would deal with practicalities not intellectual insights. Others would be taken periodically throughout a manager's career, each being tailored to the rank and experience of the participants. A system is then needed which is flexible enough to give full scope to the creative manager but which ensures that the less gifted put what has been learned into practice.

I do not think these needs are being met. Hence my book.

R. W. Nickson.
Cedarwood, Mornington Drive,
Dean Lane, Winchester, Hants.

Freedom of information

From Mr. R. Darlington

Sir,—Joe Rogaly deserves credit for a thoughtful article on reform of the Official Secrets Act (July 11). One comment of his ought to be developed. He suggested—quite rightly—that one should dismiss the argument against a statutory right of access to official information which asserts that "the cost would be in the hundreds of millions."

Mr. Rogaly was kind enough to refer to one part of my own article in the "Guardian" (July 6). In another section of that article, I estimated the cost of British legislation at approximately £15m a year and indicated the basis of my calculation. This figure is much lower than many people would have expected, but I went further and outlined a number of practical methods by which the expenditure could be staggered.

Therefore I believe that I have answered the cost objection to the enactment of freedom of information legislation in this country and that the true nature of the opposition is now clear. It is an objection in principle. Information is an aspect of power and the creation of a statutory right of access to official information would alter the balance of power, moving it someway at least from Whitehall departments to the individual citizen. That is the real reason why Ministers and civil servants are opposed to this essential reform.

R. Darlington.
107, Farmer Road, E.10.

Spanish export performance

From the Mananging Director, Kimberly-Clark

Sir,—Your Madrid correspondent's article of July 11, "Hard facts to be faced," is interesting reading. In my view, however, the record needs some adjustment.

The Spanish Government has perhaps not trumpeted about its export performance because in so doing it would expose to its neighbours the unfairness of this success. Take as an example the current import to the UK of low priced toilet tissue: we find this trade has a Spanish Government export incentive of 13 per cent, and additionally a tariff protection for the Spanish home market of some 43 per cent. I am sure our UK export performance would be glamorous indeed if we could have equivalent trading conditions.

Our only defence unfortunately is to ask, with UK Government help, the EEC Commission for dumping protection. This is very much a second choice: a move to free and fair trading, as with EFTA and now EEC, would be much preferred. Surely a country applying for EEC membership should feel the same.

D. G. Croxon.
Larkfield Maidstone,
Kent

Imports of textiles

From the Deputy Commissioner, Kong Kong Government Office

Sir,—The statement in the letter from Messrs. Macarthur and French of the British Clothing Industry's Council for Europe (July 12) that "the result of the (MFA) negotiations has been to increase the total access of low-cost textile and clothing suppliers to the EEC and UK markets . . ." is not borne out by the evidence of the import statistics.

UK trade statistics for the first five months of 1978 show an increase of 15 per cent in textiles and clothing imports from all sources over the same period in 1977. This is made up of an increase of 24.2 per cent in imports from OECD countries' states, and a decrease of 4.9 per cent in imports from "other developing countries."

If imports from developing countries are restrained while imports from developed countries are left unrestrained, surely it is logical that the latter will expand at the expense of the former?

S. A. Webb-Johnson.
6, Grafton Street, W1.

Setting pay levels

From Mr. D. Clement

Sir,—In the light of the difficulties experienced by the Government in dealing with the recommendations of the successive Boyle Reports on the salaries of members of nationalised industry boards in particular, I would like to suggest a course of action, which might also have other important benefits.

The board of each nationalised industry should be invited by the responsible Minister to set up an audit committee comprising the part-time members of the board — where such a committee does not exist at present — to undertake the usual duties of such a body and to report thereon in each annual report.

When the committee has been established and its terms of reference defined, the Minister should then delegate to the audit committee, the responsibility to review annually the salaries of board members with functional responsibilities, in association with the chairman and deputy chairman of the board, in the light of the personal contribution of the individual members, the salary levels obtaining in other of the comparable nationalised industries, the larger private sector companies and the periodic reports of the top salary review body.

The committee should also undertake the same duties for the chairman and deputy chairman every third year informing the Minister of its decision. If the Minister did not accept its recommendations in these cases, the audit committee should be accorded the right to publish its views in the board's annual report.

These steps would ensure an independent, in depth, assessment of both the performance of the board and of the individual board members and ensure that the unhappy experience of the past four to five years is not repeated.

D. M. Clement.
19 The Highway,
Sutton, Surrey

Channel Islands misconceptions

From Mr. E. McDougall

Sir,—It is a pity that the otherwise splendid article by Robin Maxwell-Hyslop, MP (July 6) was somewhat spoilt by a number of misconceptions. Even the heading, "The Channel Islands. Tax havens: the limitations to self-government," was unfortunate. The Channel Islands are not and never have been tax havens in the generally accepted meaning of the term. Tax havens are territories whose Governments actively pursue policies of encouraging tax evasion and tax avoidance and set themselves out to assist non-nationals in those endeavours. The Channel Islands have never done that and indeed they have always, though frequently to their own disadvantage, co-operated in every possible way with the UK Treasury and with the Bank of England.

The true description of the islands is that they are low tax areas and they are low tax areas because for the past 50 years at least they have managed their affairs considerably better than the UK has managed its own. Are they to be penalised for that?

Then your contributor goes on to discuss the legislative powers of the UK Parliament. He says, quite rightly, that in theory Parliament could pass Bills repealing Australian and Canadian independence but that there would be extreme difficulty in enforcing them. He then suggests that in the case of the Channel Islands the UK, having armed forces, could enforce its will upon them. Really. Surely Mr. Maxwell-Hyslop must know that the days of "gunboat diplomacy" have gone for ever.

He then seems to have fallen straight into the trap which catches so many who set out to consider the constitutional relationship between the Channel Islands and the UK. Australia and Canada were originally conquered territories and so became colonies. The CI were never conquered by England and have never been colonies to be treated by Parliament as it wished. They are dependents of the Sovereign—'peculiars' is the correct term—and it is to the Sovereign that they owe their allegiance and not to the UK Parliament. The fact that successive Sovereigns have over the centuries been forced by circumstances to delegate their powers to Parliament is no concern of the Chanel Islands. Their loyalty is to the Sovereign *alone.*

It is true, however, that over the past 10 years the UK Parliament has assumed that it has the right to legislate for the CI. But that assumption does not make it valid, though to be sure the UK Parliament has always acted with caution in that respect.

It is quite possible that if UK Governments, in particular Labour Governments, continue to try and whittle away the independence of the Channel Islands, which has been the tendency in recent years, then if the situation became unbearable the islands could and probably would opt for independence. And there is no legitimate way by which the UK could stop that action. In this connection one must remember that the UK subscribed to the United Nations International Covenant on Civil and Political Rights of December 16, 1966. Article 1 (1) stated: "All Peoples have the right to self determination . . ."

A prime example of Labour's attempts to hit at the Channel Islands was the application of capital transfer tax to UK nationals taking up residence in any of them after a certain date. In his article Mr. Maxwell-Hyslop says, "For Westminster to impose legislation, particularly tax legislation on persons who were normally domiciled in the UK, but who have taken up residence hopefully in the Channel Islands, constitutes no novelty of principle and no constitutional outrage." This is true enough—provided such legislation is universally applied and is not discriminatory as was the case here. Mr. Joel Barnett, the Chief Secretary of the Treasury, said in the debate in the House that the reason for its application to the islands was because of their closeness to the UK and also because they are in the sterling area. This statement does not stand up to a moment's examination. The north coast of France is far nearer to the UK than the islands yet a UK national can take up residence in France and escape CTT. And Eire is in the sterling area and UK domiciled nationals can go to live there and escape the net of CTT. Why then were the Channel Islands singled out for this special discrimination? One does not need to have many guesses.

Unhappily, it seems unlikely that the islands will receive such consideration from the Tory party of which Mr. Maxwell-Hyslop is a member. Mrs. Thatcher strongly argued against the application of CTT to the Channel Islands when the matter was debated in the House. But according to Press reports she abstained in the vote.

E. H. McDougall
Pine Tree Cottage,
Chemin des Moulins,
St. Laurence, Jersey,
Channel Islands.

Today's Events

GENERAL

Prime Minister discusses forthcoming White Paper on pay policy with Confederation of British Industry, before CBI Council meeting. CBI leaders later meet Mr. Roy Hattersley, Prices Secretary, on Government pay sanctions.

Mr. Denis Healey, Chancellor of the Exchequer, meets nationalised industries chairmen's group delegation, also on pay policy.

High Court hearing of Burmah Oil's document disclosure application against the Bank of England concerning Burmah's former holding in British Petroleum.

European Commission meets on "crisis cartels," Brussels.

Vauxhall management expected to meet national officials of Transport and General Workers' Union and representatives of drivers on strike from its Ellesmere Port factory, Merseyside.

British Institute of Management launches Managers' Manifesto.

PARLIAMENTARY BUSINESS

House of Commons: Wales Bill, consideration of Lords amendments. Rent (Northern Ireland) Order.

House of Lords: Statute Law Repeals Bill, report stage. Employment Protection Bill, and IBA Bill, third readings. Finance Bill, second reading and remaining stages. Transport Bill, third reading.

Select Committee: Expenditure (Trade and Industry sub-committee). Subject: Prevention of collisions and strandings of noxious cargo carriers. Witnesses: UK pilots; Lloyds' Register of Shipping (10.30 a.m., Room 16).

OFFICIAL STATISTICS

Basic rates of wages and normal weekly hours (June). Monthly index of average earnings (May).

COMPANY RESULTS

Final dividends: Airfix Industries; Butterfield-Harvey; Dowty Group; Marston Thompson and Evershed. Interim dividends: Bank Leumi (U.K.); Birmid Qualcast; Inveresk Group; Union Discount.

COMPANY MEETINGS

See page 23.

COMPANY NEWS + COMMENT

Johnson-Richards up 45% to peak £5.5m

RECORD PRE-TAX profits of £5.5m by H. & R. Johnson-Richards Tiles for the year ended March 31, 1978, are 45 per cent better than the previous year's £3.79m and are in line with the profit estimate made in May.

The estimate was made at the time of the bid by Hepworth Ceramic Holdings, but the bid was subsequently abandoned following referral to the Monopolies and Mergers Commission. The abandonment of this bid will in no way hamper J-R's future expansion, the directors say.

Earnings per share are shown at 15p against 10.1p and a final dividend of 0.971p per 25p share makes a total equivalent to 1.789p (1.604875p).

While the final dividend is limited to the maximum permitted, the directors say, substantially higher dividends are visualised given freedom from such controls and provided earnings are maintained.

Group external sales increased from £48.37m to £53.6m. Comparative figures have been restated to reflect the change in deferred tax and the revised presentation of exchange profits or losses.

	Year 1977-78 £000	1976-77 £000
External sales	53,592	48,368
Profit before tax	5,514	3,789
UK tax	1,344	1,035
Overseas	512	609
Net profit	3,653	2,253
Exchange losses	115	†281
Minorities	260	356
Extraord. receipts	81	43
Pref dividend	6	6
Interim ordinary	179	141
Final ordinary	212	208
Retained	[illegible]	1,064

† Profits.

● comment

If Johnson-Richards had not changed as the basis of its currency accounting pre-tax profits would have just missed the forecast it made around the time of the Hepworth Ceramic bid. The group justifies its change by saying that the forecast was based on the revised basis, which had been adopted anyway to conform with Hepworth's presentation. Nevertheless the group performance is respectable enough. Johnson-Richards enjoys virtual monopoly status in the UK, holding around 65 per cent of the decorative tile market. Products sold in this top end of the market carry a high added value which supports the group during times of sluggish volume increases. In fact volume sales have only increased by around 1 per cent. Overseas operations were more patchy, and although losses are being reduced in the U.S. manufacturing operations a loss of £0.5m was still sustained. The longshoremen's strike in the U.S. and the bad winter are blamed for the American losses. At 94p the shares yield 6.9 per cent and stand on P/E of 8.2 (on a 34 per cent tax charge). They are likely to settle down around present levels.

INDEX TO COMPANY HIGHLIGHTS

HAT ends year £1m adrift

A SLUMP in pre-tax profits from £3.1m to £2.09m is reported by H.A.T. Group, specialist sub-contractor to the building industry, for the year to February 28, 1978.

At the interim stage, when reporting a decline from £1.26m to £1.14m, the directors said turnover for the year would probably exceed the previous year (in the event it improved from £57.8m to £64.4m) and the end of a two-year period of reduction in net margins could well be in sight. While profits were unlikely to reach last year's record level, prospects were not unsatisfactory at the time.

Yearly earnings per 10p share are shown to be down from 7.6p to 5.3p. The dividend total is stepped up from 1.80269p to 2.0118p with a final payment of 1.0118p net. A one-for-three scrip issue is also proposed.

	1977-78 £000	1976-77 £000
Turnover	64,387	57,732
Trading profit	2,110	3,126
Interest	20	21
Profit before tax	2,090	3,105
Tax	467	794
Profit after tax	1,623	2,311
Minority profit	8	4
Extraordinary credits	2	36
Available	1,621	2,343
Dividends	605	545
Retained	1,016	1,793

● comment

Poor weather in January and February is largely responsible for the HAT group's 48 per cent second half pre-tax plunge leaving overall profits 33 per cent lower. Activity during the bad weather almost came to a halt, delaying completion of several substantial contracts and preventing the start of new contracts; profits are not taken until the contracts are completed. The delay also meant that HAT carried a labour force that was relatively unproductive for much of the final two months. This put further pressure on margins that were already being squeezed by rising costs and declining new building activity. In an attempt to improve margins HAT has been diversifying into maintenance contracts, and away from new construction. It is likely that revenue from maintenance will contribute more than half total revenue for the first time in 1978/79. The shares at 35p are on a p/e of 6.4 and yield 9 per cent.

Manson Finance up at £0.61m

GROSS REVENUE of Manson Finance Trust rose from £1.71m to £2.02m and pre-tax profits finished the April 30, 1978, year ahead at £613,000 compared with £440,000 last time.

Pre-tax figure included an increased surplus on the sale of Government securities of £52,000 (£10,000).

Earnings per 20p share are shown as 3.8p (2.8p), excluding sale of Government securities, and the dividend is lifted to 3.3p (2.75p) with a net final payment of 2p.

Directors state that trading in the current year has been satisfactory and they confidently look forward to more progress.

	£000	£000
Gross revenue	2,024	1,713
Pre-tax profit*	613	440
Tax	292	220
Retained	72	18

* Includes £52,000 (£10,000) surplus on sale of Government securities.

DCM looks to big rise

Lord Westwood, chairman of Dunbee-Combex-Marx, the toy group, tells members that the current year opened well and he is encouraged by the significant rise in orders to date. He anticipates a return to a year more in keeping with the group's past profit performance.

The group's objective is to continue the expansion of annual sales and profits at a higher rate than that of the UK and U.S. toy industries. This can only be done by development of new and improved product categories on which the board places constant emphasis.

In the year ended 1977 group pre-tax profits rose from £5.9m to £6.4m but were below the directors' highest expectations. The traditional rush of high margin orders at Christmas never materialised, with the result there was no growth in the second half.

Progress at Jones Stroud

WITH SECOND-HALF profits little changed at £1.24m, against £1.22m, Jones, Stroud (Holdings) finished the year to March 31, 1978, ahead from £2.13m to £2.41m pre-tax. Turnover was up by £4.54m to £25.59m.

In January, when reporting higher first-half profits of £1.17m (£0.92m), the directors anticipated that the percentage increase then announced would continue for the remainder of the year.

Tax for the year took £493,000 (£847,000) with ED19 applied. After minorities of £10,000 last time and an extraordinary debit of £282,000 (£151,000 credit), profits attributable to ordinary holders rose from £1.42m to £1.38m.

In accordance with the change of accounting policy, comparisons have been adjusted.

Earnings before extraordinary items are given as 21.31p (14.6p) per 25p share, while a final dividend of 3.067p (2.58p) lifts the total net payment to 4.667p (4.18p) per ordinary share—a final of 0.76675p (0.645p) per "B" ordinary share makes a 1.6675p (1.045p) total.

The 1977-78 pre-tax result included investment income of £115,000 (£163,000) and a share from an associate of £148,000 (nil).

As Mr. Philip Jones was appointed a director of Fothergill and Harvey on October 13, 1977, the group's investment is now treated as an associated company.

CH. GOLDREI FOUCARD

Following the confirmed reduction in income tax rate from 34 per cent to 33 per cent, the directors of Ch. Goldrei, Foucard and Son have amended the final dividend from 1.8p to 1.82p maintaining a maximum permitted total for the year of 2.71p (2.43p) net.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Birmingham Mint	3.36	—	2.85	4.66	4.35
Peter Brotherhood	4.54	—	4.15	6.35	5.78
H.A.T.	1.01	Oct. 2	1	2.01	1.8
P. Harris	2.98	Aug. 25	2.37	4.28	3.87
Hogg Robinson	2.58	Oct. 2	2.28	6.21	5.53
Illingworth Morris	0.98	—	0.47	1.48	1.32
H. R. Johns-Richards	0.97	Aug. 31	0.96*	1.79*	1.6*
Jones, Stroud	3.07	—	2.58	4.67	4.18
Magnet and Southerns	5.43	Oct. 2	5	8.93	8
Meldrum Trust ....int.	0.75§	Sept. 1	0.63	—	1.85
Syltone ....2nd int.	4.22‡	—	3.6	3.6	5.06
Thorn Electrical 2nd int.	9	Oct. 6	4.15*	11.45	6.34*
Western Bd. Mills	2.5	—	2.2	3.7	3.3

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ At 33 per cent tax rate. Final of up to 1.25p to be paid if permitted. § To reduce disparity. Maintained final intended.

Magnet and Southerns optimistic after fall

ANNOUNCING TAXABLE profits down from a peak £14.46m to £14.22m for the year ended March 31, 1978, Mr. S. Oxford, the chairman of Magnet and Southerns, the prepared joinery, door and ancillary product manufacturer, states "the outlook for the current year is better." At midway, the surplus was slightly lower at £7.08m against £7.11m.

The chairman reports that sales to the home improvements market have maintained their upward movement and are expected to continue at a good level.

The modest increase in new housing activity expected during the second half of 1977-78 didn't happen, says Mr. Oxford, who feels that this is still to come and that the group will see a small but welcome improvement during the current year.

Raw material prices have started to move upwards and he believes by the end of this year will have recovered much of the lost ground: stock losses are not, therefore, likely to occur in this year provided there are no violent changes in the value of sterling, the chairman adds.

Turnover for 1977-78 increased from £97.88m to £105.63m and the pre-tax result included lower investment income of £344,522 (£658,292) and an extraordinary credit of £225,019 (£121,836).

With ED19 applied, UK tax took £5.03m (£4.8m) and overseas tax £146,596 (£91,130). After a transfer of £11,999 this time to deferred tax, available profit dropped from £9.57m to £9.03m. Comparisons have been adjusted in accordance with the change of accounting policy.

Stated earnings per 25p share fell from an adjusted 30p to 27.9p, while the dividend total is lifted to 8.931841p (8p) net, with a final of 5.431841p. A one-for-two scrip issue is also proposed.

Dividends absorb £2.85m (£2.56m) leaving retained profit lower at £6.18m (£7m).

Pre-tax profits of Southerns-Evans, a wholly-owned subsidiary, declined from £7.38m to £6.84m, on turnover of £74.04m against £69.7m.

Adjusted for ED19, tax took £2.58m (£2.84m) and earnings per 25p share are 29.09p (31.66p). The final dividend is 26.2771p (8.15274p).

● comment

Magnet and Southerns' profit fall of just under 2 per cent for the full year is a good result when compared with other timber companies, which have been averaging shortfalls of almost a fifth. The group has been cushioned by Magnet Joinery, where profits are almost a tenth higher thanks to the boom in renovations. But in common with other timber companies, Magnet has incurred stock losses as a result of the fall-off in softwood prices last year—these amount to around £500,000. Meanwhile, the group has now taken a view on timber by buying in at the lower prices, and stocks have risen from £27.6m to £32.6m. Since then, prices have firmed up and this gives the prospect of stock profits this year. Housing starts are still very flat but the trend towards repairs and improvements remains strong and first quarter sales are 17 per cent higher. At 192p, the shares are on a p/e of 6.7, while the yield is 7.3 per cent covered more than three times.

Duncan & Goodricke confident of growth

THE FAVOURABLE prospects for Duncan Lawrie, the banking subsidiary of Walter Duncan and Goodricke, coupled with the much stronger asset position of the group justifies continued confidence in future profitability and growth, Mr. Michael Butterwick, chairman, says in his annual report.

Further progress has been made in disposal of the group's properties reducing their book value from £2.69m to £1.63m at the end of 1977, of which £346,745 was due to write-offs of the value of these properties.

A further reduction in this portfolio will take place in 1978 in line with the policy of achieving a gradual disposal of these investments, the chairman says.

Good progress was made in all main activities of the group during 1977—in banking, tea services, property and investments.

Pre-tax profits for the year amounted to £311,379 against £526,234 after exceptional debits of £294,381 (£157,973 credits). The directors feel the group's underlying position improved during the year and have recommended an increase in the dividend from 10p per £1 share to 12p.

Net asset value also increased, from 417p to 602p.

The exceptional items in 1977 included £346,745 written off properties, a £7,237 net profit on sales of investments, net profit of £14,011 on sales of fixed assets and £31,116 revenue adjustments for previous years.

Market value of the group's investments at December 31, 1977, at £4.23m (£2.06m), was more than double the previous year, the increase being largely derived from a rise in the value of the group's shareholding in Eastern Produce (Holdings) which had a particularly successful year, the chairman says.

Whinney Murray and Co., auditors to the group have qualified the accounts on three grounds.

They say that in their opinion, the investment in Eastern Produce should be treated as an associated company and this treatment would increase the group's net profit and its investments.

The directors say that if the figures had been incorporated into the accounts, net profit available would have been increased by £871,090 (£300,856) and the investments by £1.09m (£300,856).

The auditors also say that the company is unable to quantify the contingent liability which might arise if the tax authorities in India were to be successful in any claim for tax which might be made in respect of the company's secretarial income for prior years, and accordingly they are unable to form an opinion on this matter.

The directors also do not consider it practicable to support by independent professional valuation the book amount of properties held for development or resale of £1,633,697. While the auditors have no reason to dissent from the conclusions they are unable to satisfy themselves as to the realisability of these assets at the book amount.

Meeting, Winchester House, EC, August 10, at 11 am.

Bootham well ahead in first half

Pre-tax profits of Bootham Engineers, for the half year to April 30, 1978, increased from £196,100 to £258,800 on turnover ahead from £1.68m to £2.23m.

Mr. John Rymer, the chairman, states that the main operating company had a slight downturn in profits but this was offset by an improvement in Bootham Materials Handling. The level of activity in the group's main company has increased in the last two months, he says, and he anticipates that overall profit for the full year will be not less than the peak £582,000 for 1976-77.

After tax for the half year of £134,600 against £102,000 the attributable profit came out at £124,200 (£94,100) and earnings per £1 share are shown as 24.6p (18.6p).

For the first time, directors are paying an interim dividend, of 4.5p net, and they hope to pay another dividend for the year, subject to Government legislation outcome. Single dividend for the 1976-77 year was 9.215p.

Premises have been purchased in Abbey Road, Stirling, and negotiations are proceeding to enable the premises to be adapted for the group's use.

Development is continuing on the Melrose works in York, where two new workshops have been completed in the last few months. The new grinding shop at the Group's Scarborough works is now in full operation, directors say, increasing the works' capacity for roll grinding and crankshaft grinding.

The Bacup works continued its progress, and in the last four months, additional machining capacity has been installed. At Weedon, the group is developing its mechanical engineering services which were started last year.

36 companies wound-up

Orders for the compulsory winding up of 36 companies were made by Mr. Justice Oliver in the High Court on Monday.

They were: J. C. Dealy and Son, J. B. R. Steamclean, Roger Norman Engineering, F. and J. Kinch, Lynmay and Deveng.

European Chefs (Catering), J. E. Joyce, Manchester Air Taxis, Rossan Builders and Cornuto.

Bromley Estates, Erection Plan, Peter Eton Productions, Ratchlins, TAS Developments and Planridge.

Emberwick, Brelmead, Rafagrove, R. K. Martin Properties, A. L. Flower and Sons Group of Companies and Nafco (Foods).

Milvitan Thorpe, Minehead Investments, Cemlex, Arbh-UK Agencies, J. Cauldwell Walker and Rockmark Holdings.

Manchester Grains, Minitronics International, Larkin Scaffolding, Nordec Home Decor, Island Factors, M.J. Bacon (Contractors) and Thai Export International.

An order for the compulsory winding up of KTV Films, made on July 10, was rescinded, and the petition dismissed by consent.

Abbey Life advances

Single premium business at Abbey Life rose by 178 per cent to £24.3m, and new regular premiums rose by 38 per cent to £11.3m for the first half of 1978.

The increase in single premiums reflects greater interest in the unit-linked funds and regular premium business has benefited mostly from the surge in pensions business, which alone rose by 48 per cent during the period.

ISSUE NEWS AND COMMENT

Wm. Leech makes £2.02m cash call

Newcastle based housebuilder, William Leech, is making a rights issue to raise £2.02m.

The 3m new shares are being offered to holders on the basis of one-for-four at 70p each. In the market the shares closed 2p lower at 83p.

Giving their reasons for the issue the directors say that the rights will strengthen the group's capital base and enable it to expand, and to take advantage of opportunities that may arise in the future for the acquisition of suitable land and companies.

In the year ended Februray 28, 1978 Leech acquired Hugh Owen for £1m in cash and purchased house building land costing £1.54m.

Leech's land bank last February stood at over 10,000 plots with planning permission togther with approximately 3,800 acres of land. This land bank is shown in the balance sheet at a cost of £7.17m, which the directors consider is substantially less than the current open market value.

Since the turn of the year there has been an increased demand for Leech houses which has shown through in a 42 per cent improvement in completions in the four months to June 30. While housing reservations are only a rough indication as to the future, reservations taken during the same four month period were 39 per cent up on last year at 901.

The directors do not expcet this level of activity to continue throughout the year.

They are forecasting a 10 per cent increase in the dividend for the current year making a total payout of 6.64p per share.

An egm is convened for August 15 when a proposal to increase the authorised capital from £3m to £4m. The rights issue is not conditional upon an increase in the authorised capital.

The issue has been underwritten by J. Henry-Schroder Wagg. Brokers are Rowe and Pitman Hurst-Brown and Wise Speke.

● comment

When Leech made its market debut two years ago with a £8m offer it did not raise any new capital for the company. Now it is coming forward with a rights issue, but the balance sheet is not showing any strains though there has been a sharp increase in land prices—Leech reckons prices have risen by around 60 per cent over the last year. Last February Leech had borowings of £6.5m compared with shareholders' funds of nearly £12m. Now debt is down to around £4.4m so gearing is minimal, and last year financing costs were covered by operating profits more than four times. Meantime the company's land bank could last around four years on the current rate of completions but Leech is continually replacing land at higher prices. Though there is no profits forecast the tone of the company's statement is optimistic and would seem to bear out analysts projections of around £3m pre-tax this year. But Leech is doing little, with the dividend (up 10 per cent) while the discount is only 16 per cent. At 83p the ex-rights prospective yield is 12.3 per cent.

Hectic start for Cartiers

Dealings in Cartiers Superfoods got off to a hectic start yesterday. Market dealers estimated that as many as 2.5m shares out of the 3.21m offered to the public changed hands during the course of the day.

The offer for sale priced the shares at 55p each, which valued the company at £7.11m. But following the tremendous response with 48,000 applications flooding in for a total of 339m shares worth £186m, the opening price was obviously going to be way above 55p.

The shares opened up around 71p and despite the day's heavy dealings they traded in a fairly narrow range between 70p and 75p, closing at 73p.

At this level Cartiers' market value is £9.44m. The prospective p/e on a full tax charge is 14.6 and the yield is just under 3 per cent.

Market men were expecting active trading to continue through to today.

Robert Fleming was the issuing house and L. Messel was the broker.

YEARLINGS STAY AT 10%

The coupon rate on local authority loans has held steady this week at 10 per cent at par. This week's yearlings are repayable on July 25, 1979.

The issues are: Allerdale District Council (£½m), London Borough of Barking (£½m), London Borough of Bexley (£1m), Grampian Regional Council (£½m), London Borough of Hillingdon (£1m), The Receiver for the Metropolitan Police District (£½m), Birmingham District Council (£1m), City of Liverpool (£1½m), East Hampshire District Council (£½m), Braintree District Council (£½m), Worthing Borough Council (£½m), London Borough of Greenwich (£1m), London Borough of Haringey (£1m), Preston Borough Council (£1m), Doncaster Metropolitan Borough Council (£½m), Wansbeck District Council (£½m), Kennet District Council (£½m), Tunbridge Wells Borough Council (£½m).

Two-year bonds carrying a coupon of 11 per cent, priced at par and due on July 16, 1980, have been placed by City of Southampton (£1m), and Trafford Borough Council (£½m).

Sedgemoor District Council has raised £½m through the issue of 11½ per cent bonds due July 13, 1981, at par.

Variable rate bonds priced at £99½ per cent, carrying a return of ¾ per cent above the Reference Rate and maturing on July 13, 1983, have been issued by London Borough of Richmond-upon-Thames (£1m), Luton Borough Council (£½m), Greater Manchester Borough Council (£½m), Essex County Council (£1m).

Illingworth Morris leaps £1.8m on better margins

:TH PROFIT margins benefitting om re-equipment and rationali- ion programmes. Illingworth orris and Co. lifted taxable rnings from £2.92m to a peak 76m for the year to March 31, 78. External sales were main- ned at £119.7m, against £115.8m, cluding a direct export content arginally down from £48.6m to 7.3m.

At halftime, when the surplus is almost doubled to £2.07m 1.05m) the directors expected a more favourable profit level be sustained in the second half, ough trading conditions were riable.

They now say that trading con- ions at home and overseas show tle sign of significant improve- ent.

As it is envisaged that future rporation tax charges will be wer than the full rate no further ovision has been made in the counts for deferred tax leaving a tax charge at £1.3m (£1.23m) r earnings per 20p share to nerge higher at 9.86p (4.6p). A t final dividend of 0.984p takes e total to 1.484p (1.323p).

The results of one of the oup's overseas subsidiaries have t been consolidated this time d the comparative figures have en restated.

	1977-78 £000	1976-77 £000
ternal sales	119.718	115.801
lome	57.241	55.233
Direct export	47,298	48.507
ndirect export	14,286	11,175
Overseas	863	776
e-tax profit	4,760	2,915
x	1,296	1,230
t profit	3,464	1,685
ributable†	3,330	1,331
eference dividends	91	91
dinary dividends	378	516

† After minority interests.

Of the group's subsidiaries now porting Woolcombers (Hold- gs) shows a slide in taxable ofit to £1.73m (£2.54m) before x of £396,000 (£646,000) for the ar to March 31.

The attributable sum came out £1.33m (£1.7m) and the net vidend is raised to 6.8666p (6.1492p) per £1 share, costing £274,000 (£246,000).

In the woollen division at Winterbotham, Strachan and Playne the surplus jumped to £1.65m (£353,067) before tax of £125,262 (£163,481). The amount attributable to the holding company was £1.53m (£189,586) and the ordinary dividend is up from £175,000 to £800,000.

In the worsted and merchanting division Salts (Saltaire) recovered from a £28,395 loss to a £34,485 profit before a tax credit of £195,707 (£8,259). The attributable surplus came out at £23,192 (deficit £20,136) and again no dividend is to be paid.

Worsted manufacturer John Emsley improved profit for the year to £135,130 (£59,288) before tax of £28,596 (£38,484) and the attributable sum amounted to £106,534 (£20,804). Again no dividend is to be paid.

Subsidiary George Mallinson turned round from a £24,379 loss to a £7,437 profit before a tax charge of £885 (credit £1,575). The attributable surplus was £6,552 (deficit £22,804) and again no dividend is to be paid.

For clothing manufacturer S. Schneider there was a reduced loss of £140,708 (£231,677) before a tax charge of £4,391 (credit £9,500). The attributable loss amounted to £144,999 (£222,177) and again there is no dividend.

● comment

Illingworth Morris has been able to boost full-year profits by nearly two-thirds, thanks to the rationalisation programme at Huddersfield and some factory closures. But trading conditions remain tough with only the EEC and the Middle East providing any relief. Those markets helped to improve yarn and cloth sales by around 15 per cent, but this was almost completely offset by a 10 per cent drop in sales of wool and wool tops. Overall, in the UK, IM is still having to contend with subsidised imports from Comecon countries, while it has virtually withdrawn from the tops market overseas becaus of fierce competition. Although there are few signs of any marked upturn, the company should continue to benefit from continuing rationalisation. But this will only prove to be a face-saver in the short term as the present level of underlying demand cannot support growth. The shares, at 31p, are on a p/e of just over 3, while the yield is 7.5 per cent.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Amatil, Bank Leumi (UK), Birmid Qualcast, Foreign and Colonial Investment Trust, Hirst and Mallinson, Inveresk, Plantation Holdings, Union Discount.

Finals:—AGB Research, Airfix Industries, Astra Industrial, Black Arrow, Butterfield Harvey, Dowty, Hampson Industries, LRC International, Marston Thompson and Evershed, Sheffield Refreshment Houses, Stanhope General Investment, Wyndham Engineering.

FUTURE DATES

Interims:—	
Albion	July 26
Carrington Viyella	Aug. 9
Grindlays	July 25
Leda Investment Trust	July 24
Plastic Construction	July 28
Finals:—	
Allnatt London Properties	July 26
Anglo American Asphalt	July 31
Formminster	July 20
Gnome Photographic	Aug. 2
Great Universal Stores	July 20
Macarthys Pharmaceuticals	July 28
Ransom (William)	Aug. 3
Siebe Gorman	July 24
Somportex	July 28

Hogg Robinson expands 21% to record £9.5m

THOUGH THE strength of sterling affected the group's foreign currency earnings, Hogg Robinson Group expanded taxable earnings for the year to March 31, 1978, by 21 per cent from £7.86m to a record £9.51m with turnover up £5.51m at £30.05m.

The contribution from insurance broking improved to £4.82m (£3.79m) and Lloyds underwriting agencies were better at £2.22m (£1.31m) but in shipping and freight forwarding there was a deficit of £241,000 (£95,000 surplus) and in reinsurance underwriting the loss was £81,000 (nil).

Investment income and profits were marginally down at £1.76m (£1.87m). Profit from travel agencies amounted to £407,000 (£201,000), and from equipment leasing £30,000 (nil). The share from associated companies was maintained at £596,000 (£591,000).

At midway, when the surplus was ahead to £3.2m (£2.55m), Mr. Morris Abbott, the chairman, expected profits to continue to be buoyant.

	1977-78 £000	1976-77 £000
Turnover	30.033	24.544
Insurance broking	22.301	18.696
Lloyd's underwriting	2.568	1.598
Travel	2.440	1.942
Shipping and freight	2.724	2.308
Profit before tax	9,511	7,859
Insurance broking	4,817	3,755
Lloyd's underwriting	2,221	1,314
Travel	407	201
Shipping and freight loss	241	*95
Reinsurance u/w loss	81	—
Equipment leasing	30	—
Investment income	1.763	1.873
Share of assocs.	596	591
Tax	4,777	3.802
To minorities	350	269
Exchange loss†	188	*117
Attributable	4,196	3,905
Dividends	1,400	1.244
Retained	2.796	2,661

* Profit. † Also includes special pension contribution.

He now says that the company was able to maintain profit growth due to the spread of its broking interests, not the least its major involvement in UK insurance broking which had an excellent year.

Shipping and freight forwarding are currently trading profitably, he adds.

Earnings per 25p share rose from 17.34p to 19.1p and a net final dividend of 2.58p steps up the total to 6.21p (5.525p) a one-for-two scrip issue is also proposed.

● comment

Hogg Robinson's figures — profits 21 per cent higher — are right in line with stockbrokers' expectations. As is usual, the bulk of the group's profits have been earned in the second half — some £6.3m of the full year total — as the rump of the broking business is completed, and the underwriting agency profits are included. In fact, underwriting agency business is rather beter than anticipated — the performance contributing over a half of the overall improvement, and more than offsets the problems in shipping and freight forwarding and the downturn in investment income (from lower interest rates). On the insurance broking side there is nothing exceptional in the 27 per cent gain, and the performance there has been supported by a buoyant UK industrial non-marine insurance market, which has probably chipepd in around £2m of the broking profits. Currency movements on overseas earnings (about a quarter of total profits) lopped off £500,000-£600,000 from overall profits. Meanwhile, group efficiency has been tightened up leading to over a point drop in the expense ratio to 78.4 per cent. At 187p (up 3p) the shares stand on covered threefold. The shares are unlikely to outperform the sector, a P/E of 9.7 and yield 5 per cent.

Syltone climbs to £1m

AFTER DOUBLED pre-tax earnings from £256,000 to £512,000 at halftime, Syltone went on to finish the year to March 31, 1978, with a record £1.04m, compared with £645,629 previously. Sales by the group, which has interests in engineering, pipe system supply and whole electrical distribution, were up £3.71m at £11.24m.

The directors said in January that all divisions had been operating profitably and in line with budget. Although levels of activity were generally maintained they then also warned that extensive work on new buildings at Drum might affect profitability to some degree.

After tax of £240,463 (£125,425) net profit for the year improved from £520,204 to £802,970 for earnings per 25p share better at 26.36p (21.63p). A net second interim dividend of 4.2235p at the 33 per cent tax rate takes the total to a maximum permitted 5.6235p (5.03538p), and costs £129,844 (£111,326) less waivers of £56,675 (£54,171). If dividend restraint is relaxed or removed the directors intend to pay a final of 1.25p or such portion of this as proves to be permissible. This would cost an additional £38,429 before waivers of £16,774.

NCC awaiting growth from new activities

! HIS first annual statement as airman of the National Carbon- ng Company, Mr. Michael Gaze ys that the group cannot expect achieve a wholly adequate level profits until the growth of new tivities and future dividends om the investment in London d Scottish and Marine Oil come fruition.

The reorganisation which has ken place over the past three ars is now complete and he els that a period of consolida- n should show steady improve- ent.

Following the group's gradual ange from an almost entirely al business to one with more desrvead interests, two further oves were made to strengthen e group's position. The first is to reduce borrowings during e year to lessen the impact on ofits of bank interest (reduced m £400,000 to £348,000 in 77-78) and the second was to spose of the group's small naining interest in transport— e subsidiary concerned incurred oss during the year of £219,000.

The cut in borrowings was hieved by realising part of the vestment in LASMO, the pro- eds of which have been applied wards the lowering of overall rrowings from £3.04m to £1.95m d towards providing working pital in NCC Commercial hicles and in the engineering vision.

The profit on this disposal ounted to £825,000 which was cluded in extraordinary items the profit and loss account. e group also took the opportu- y to sell the small holding of ,000 ordinary shares in Oil ploration (Holdings) realising 7,000 and showing a profit of 9,000.

The group still holds 3.3m SMO ordinaries and 25,000 nmon shares in Ranger Oil anada).

n the year ended March 31, 1978 group incurred a loss of £116,000 compared with a profit of £251,000. The dividend is 1.83p (1.3p) reflecting the profits from the oil investment sale. In future it is the directors' aim that dividends be covered by profits from trading activities.

During the year both NCC Rexco and Scottish Rexco sold a greater volume of smokeless fuel in the UK domestic market than in the previous year. These two companies' fortunes could be appreciably better and the chairman is concerned about the national policy of stimulating demand, by underpricing, of a commodity such as natural gas where reserves though large are limited.

During the year NCC Commercial Vehicles achieved considerable growth both in expansion and profitability of its depots, attaining a turnover of £12.6m.

An analysis of group turnover and net trading profit shows (£000s omitted)—Rexco smokeless fuel £12,913 (£12,508) and £305 (£699 including £181 profit on property sales); vehicle distribution £12,615 (£7,834) and £172 (£89) and engineering £3,564 (£1,883) and £58 (£250) making a total of £535 (£1,038) less losses of discontinued businesses £303 (£327).

The chairman explains that the companies making up the engineering division have had mixed fortunes. NCC Engineers, after a slow start finished with a full order book and a substantial flow of enquiries with which to begin the current year.

Of the businesses taken over in autumn 1976, AOT Flowmeters made good profits and is planning for a substantial expansion of its activities over the next two years. AOT Constructors was incurring heavy losses when it was acquired and continued to do so, albeit at a reduced rate. The chairman expects that subsidiary to move into profits during the second half of 1978-79.

Meeting, Hyde Park Hotel, SW, August 11 at 3.30 pm.

Armitage Shanks looks for marketing boost

THE last few months, efforts Armitage Shanks, particularly the manufacturing side, have n directed towards traditional rketing strengths and Mr. nnedy Campbell, chaiman, feels t this policy will bring its ards in the next twelve nths.

However there are still no signs any long term improvement in building and construction ustry on which the group is dependent, and which, in turn dependent on the vagaries of netary policies, both national l international, Mr. Campbell s.

n the year ended April 1, 1978, -tax profits advanced from im to £2.48m from higher turn- r of £2.88m (£2.7m). The divi- d is 4.3p against 4.2346p.

Had it not been for the particu- y sharp reversal of profit in Australian company the ires could have been regarded encouraging the chairman says.

Although the volume of sales ame more buoyant, higher rgins were not able to be ained due to the forces of com- ition in the market and the its imposed by price legislation the UK.

During the year there were tten off against trading profit, nual costs in the closing down he Scottish fireclay factory and he reduction of activity which regarded as uneconomic at er factories and the consese- ntial costs of writing down ks.

lso included were costs in- red in connection with the nopolies Inquiry. All these ounted to some £300,000.

he UK management structure been reorganised to form four or divisions, namely, ceramics, ineering, plastics and wood- k.

ast year, the total national sing starts and completions e each lower than in the two eceding years. However, efforts ch are being directed to the rovements in the home ether with a considerably roved performance in export kets which took 20 per cent of group's total ceramics produc- n, maintained profits which could otherwise have been affected.

Meeting, Birmingham, August 10 at noon.

Today's company meetings

Alliance Investment, 1-2, Laurence Pountney Hill, E.C., 2.30. Attwood Garages, Wolverhampton, 12. Billam (J.), Sheffield, 12. Charter Consolidated, 100, Old Broad Street, E.C., 12. Courtaulds, 36, Wigmore Street, W., 12. Durapipe International, Waldorf Hotel, W.C., 11. Electra Investment Trust, Electra House, Victoria Embankment, 2.15. GEI International, Dorchester Hotel, W., 11.15. Guthrie, 20, Aldermanbury, E.C., 12. Invergordon Distillers, Glasgow, 12. London Prudential Investment Trust, 20, Fenchurch Street, E.C., 11.45. Metal Box Overseas, Reading, 12.30. Northern Securities Trust, 16, Finsbury Circus, E.C., 12. Sumrie Clothes, Leeds, 12. Wedgwood, 34, Wigmore Street, W., 11.

Improvement at Brownlee

Since the end of the financial year the level of demand at Brownlee and Co. had improved, and there were indications that this would be maintained into the winter, Mr. P. A. Barnes, the chairman, told the annual meeting.

Gross margins seemed likely to improve, but this change would not have any significant effect on the results for the first half of the current year, he said.

On dividends, he said it was his hope that when directors came to consider the amount of the interim dividend for the current year, they would be able to do so solely by reference to the company's financial position.

Johannesburg Consolidated Investment Group

(All companies mentioned are incorporated in the Republic of South Africa)

MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30th JUNE, 1978
WITH COMPARATIVE FIGURES FOR THE PREVIOUS QUARTER

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Issued Capital: R10 827 106
(*Divided into 5 413 553 shares of R2 each, fully paid*)

OPERATING RESULTS

Gold	Quarter ended 30.6.78	Quarter ended 31.3.78	Six months ended 30.6.78
Ore milled — tons	311 000	307 000	618 000
Gold produced — kilograms	4 478	4 421	8 899
Yield — grams per ton	14,40	14,40	14,40
Total revenue — per ton milled	R81,63	R65,46	R75,09
Working cost — per ton milled	R22,61	R23,66	R23,13
Operating profit — per ton milled	R59,02	R41,80	R51,96

FINANCIAL RESULTS (R000's)

	Quarter ended 30.6.78	Quarter ended 31.3.78	Six months ended 30.6.78
Revenue from gold	R25 237	R20 871	R46 108
Working cost	7 031	7 264	14 295
Working profit	18 206	13 607	31 813
Tribute revenue	7	6	13
Net sundry revenue	144	141	285
Operating profit	18 357	13 754	32 111
Net interest payable	249	135	384
Net profit on uranium (loss)	174	(82)	92
Profit	R18 282	R13 537	R31 819
Capital expenditure	R19 377	R15 610	R34 987
Dividend declared	R10 827	—	R10 827

Notes:
A provision for taxation is not required as the company has an estimated loss for tax purposes.
From 11th April, 1978, payment for gold production at the official price plus premium on market sales distributed monthly was replaced by payment at the market price. The non-recurring balancing payments resulting from the changeover distorted revenue for the current quarter which is therefore not comparable with past or future quarters.

DEVELOPMENT

A total of 8 635 metres was advanced during the quarter (7 728 metres).

SAMPLING RESULTS: UE1A REEF

	Quarter ended 30.6.78	Quarter ended 31.3.78
Sampled — metres	1 776	1 521
Channel width — centimetres	152	131
Gold		
Av. value — grams per ton	13,0	17,0
— centimetre grams per ton	1 976	2 227
Uranium		
Av. value — kilograms per ton	0,306	0,380
— centimetre kilograms per ton	46,51	49,78

AREA RESULTS: UE1A REEF

	30.6.78 Cooke No. 1 Shaft	30.6.78 Cooke No. 2 Shaft	31.3.78 Cooke No. 1 Shaft	31.3.78 Cooke No. 2 Shaft
Sampled — metres	912	864	645	876
Channel width — centimetres	165	139	168	104
Gold				
Av. value — grams per ton	16,2	9,0	17,1	16,9
— centimetre grams per ton	2 673	1 251	2 873	1 758
Uranium				
Av. value — kilograms per ton	0,199	0,439	0,210	0,580
— centimetre kilograms per ton	32,84	61,02	35,28	60,32

Note:
In addition to the above, development at the Cooke No. 2 Shaft on the ES reef gave the following results:

	Quarter ended 30.6.78	Quarter ended 31.3.78
Sampled — metres	33	51
Channel width — centimetres	229	169
Gold		
Av. value — grams per ton	6,6	1,3
— centimetre grams per ton	1 511	226
Uranium		
Av. value — kilograms per ton	0,419	0,140
— centimetre kilograms per ton	95,95	23,66

The values shown in the above tabulations are the actual results of sampling development work on reef. No allowance has been made for modifications which may be necessary when computing ore reserves.

COOKE SECTION

Pre-operational testing and commissioning of the new recovery plant has been substantially completed and trial milling commenced. Production of gold and uranium will commence in the third quarter. This plant is expected to reach its rated capacity by the year-end.
Cooke No. 2 shaft achieved its rated capacity during the quarter and additional tonnage was stockpiled at the new plant.

RANDFONTEIN SECTION

Dewatering operations are proceeding apace and 24 level should be exposed during the third quarter. Stope re-equipping and mining operations are on schedule and additional tonnage of broken ore was stockpiled at No. 16 shaft.

URANIUM PRODUCTION

The Millsite uranium plant treated 266 000 tons (228 000 tons) during the quarter which represents 89% of its designed capacity. Uranium recoveries have not yet matched expectations but are significantly up on the 1st quarter and efficiencies are showing steady improvement. The plant operated at a profit for the quarter.

GRADE

The increased recovery plant capacity will enable ore presently being mined at Cooke No. 2 shaft and the Randfontein Section to be treated for both gold and uranium. Ore available from these two sections is substantially lower in gold content than is presently being achieved from Cooke No. 1 shaft and as a result, there will be a substantial reduction in the average gold grade of ore milled in the third quarter. However, it is expected that there will be a concomitant increase in uranium recovery.

DIVIDENDS

Dividend No. 86 of 200 cents per share was declared on 8th June, 1978 payable to members registered at the close of business on Friday, 23rd June, 1978.

CAPITAL EXPENDITURE

Net expenditure on mining assets during the quarter amounted to R19 377 000 bringing the total net capital expenditure at 30th June, 1978 to R260 337 000.
This total includes expenditure at Cooke Section amounting to R207 951 000. At 30th June, 1978 there were capital commitments amounting to approximately R9 000 000.

For and on behalf of the board,
B. A. SMITH
F. J. L. WELLS *Directors*

Elsburg

Elsburg Gold Mining Company Limited
Issued Capital: R30 203 000
(*Divided into 30 203 000 units of stock of R1 each*)

RESULTS FOR THE QUARTER ENDED 30.6.78

Stockholders are advised to study the operational results published by Western Areas Gold Mining Company Limited.

	Quarter ended 30.6.78	Quarter ended 31.3.78	Six months ended 30.6.78
DIVIDEND DECLARED (R000's)	R1 571	Nil	R1 571

For and on behalf of the board,
P. A. VON WIELLIGH
F. J. L. WELLS *Directors*

Western Areas

Western Areas Gold Mining Company Limited
Issued Capital: R40 306 950
(*Divided into 40 306 950 units of stock of R1 each*).

OPERATING RESULTS

Gold	Quarter ended 30.6.78	Quarter ended 31.3.78	Six months ended 30.6.78
Ore milled — tons	1 037 000	991 000	2 018 000
Gold produced — kilograms	5 731	5 648	11 399
Yield — grams per ton	5,6	5,7	5,65
Total revenue — per ton milled	R31,56	R27,47	R29,55
Working cost — per ton milled	24,15	24,18	24,16
Operating profit per ton milled	R7,41	R3,29	R5,39

FINANCIAL RESULTS (R000's)

	Quarter ended 30.6.78	Quarter ended 31.3.78	Six months ended 30.6.78
Revenue from gold	R32 187	R27 001	R59 188
Working cost	24 804	23 962	48 766
Working profit	7 383	3 039	10 422
Sundry revenue	229	221	450
Operating profit	7 612	3 260	10 872
Net interest receivable	272	217	489
Profit before taxation	7 884	3 477	11 361
Taxation	570	45	615
Profit	R7 314	R3 432	R10 746
Capital expenditure	R5 195	R1 610	R6 805
Loan Levy	R69	R6	R75
Dividend declared	R3 225	—	R3 225

Note:
From 11th April, 1978, payment for gold production at the official price plus premium on *market sales distributed monthly was replaced by payment at the market price*. The non-recurring balancing payments resulting from the changeover distorted revenue for the current quarter which is therefore not comparable with past or future quarters.

DEVELOPMENT

	Quarter ended 30.6.78	Quarter ended 31.3.78	Six months ended 30.6.78
Advanced — metres	9 196	8 914	18 110
Sampled — metres	1 389	1 506	2 895
Channel width — centimetres	188	165	176
Average value — grams per ton	6,9	7,8	7,2
— centimetre grams per ton	1 297	1 254	1 267

SAMPLING RESULTS: INDIVIDUAL REEFS

	30.6.1978 Total All Reefs	30.6.1978 Ventersdorp Contact Reef	30.6.1978 Elsburg Massive Reefs	30.6.1978 Elsburg Individual Reefs	31.3.1978 Total All Reefs	31.3.1978 Ventersdorp Contact Reef	31.3.1978 Elsburg Massive Reefs	31.3.1978 Elsburg Individual Reefs
Sampled metres	1 389	111	498	780	1 506	99	537	870
Width — centimetres	188	103	202	190	165	106	174	165
Av. Value — grams per ton	6,9	11,0	6,3	7,0	7,6	12,8	6,6	8,0
— centimetre grams per ton	1 297	1 133	1 273	1 330	1 254	1 357	1 148	1 320

The values shown in the tabulation are the actual *results of sampling development* work on reef. No allowance has been made for modifications which may be necessary when computing ore reserves.
Included in the comparative development results is an advance of 246 metres in the 50 level twins (326 metres), being developed from South Shaft towards the site of the proposed S.V.3 sub-vertical shaft. Progress in both ends now totals 2 435 metres. Also included is exploratory development from the North Shaft, on 48 and 50 levels, towards the area on the Middle Elsburg reef horizons delineated by drilling as being the most favourable for possible exploitation. An advance of 953 metres was achieved for the *quarter (580 metres) and progress in these* two ends now totals 1 540 metres.

EXPLORATION

Exploratory drilling from underground to ascertain the potential of the Middle Elsburg *Reefs continued during* the quarter.

Borehole	Reef	Channel Width centimetres	Gold g/t	Gold cm.g/t	Uranium kg/t	Uranium cm.kg/t
36 Inter level No. 1	UE1A	100	Trace	—	0,16	16.00
	E9E/C	175	0,4	70,0	0,11	19,25
41 Level No. 3	UE1A	135	5,8	783,0	0,51	68,85
	E9E/C	Not intersected west of sub-outcrop				
75 Level No. 3	UE1A	90	2,9	261,0	0,04	3.60
	E9E/C	95	4,3	408,5	0.10	9,50

DIVIDENDS

Dividend No. 26 of 8 cents per unit of stock was declared on 8th June 1978 payable to members registered at the close of business on Friday, 23rd June, 1978.

CAPITAL EXPENDITURE

The significant increase in expenditure for the quarter mainly arises from decisions to expedite the installation of refrigeration plant and extend compressed air plant facilities at the South Shaft, to *increase the rate of access development to the Middle Elsburgs* and the purchase of hoists required for a new sub-vertical shaft to be sunk in the 4 East area of the mine. This small sub-vertical shaft will augment the 4 East sub-incline shaft currently operating between 50 and 56 levels, thus enabling development and exploitation of this part of the mine to be expedited.
Net expenditure on mining assets during the quarter amounted to R5 167 000 with other capital expenditure during the quarter amounting to R97 000, bringing the total net expenditure on capital account at 30th June 1978 to R236 390 000.
At 30th June, 1978 there were capital commitments amounting to R1 200 000.

For and on behalf of the board,
P. A. VON WIELLIGH
F. J. L. WELLS *Directors*

18th July, 1978

Johannesburg Consolidated Investment Company, Limited
Consolidated Building, Fox and Harrison Streets,
Johannesburg 2001
P.O. Box 590, Johannesburg 2000

Copies of the above reports are obtainable from the London Secretaries:

Barnato Brothers Limited.
99 Bishopsgate London EC2M 3XE,

BIDS AND DEALS

Mr Ward withdraws offer but lends KCA £2m

BY CHRISTINE MOIR

Mr. Travis Ward, the Texan oil millionaire who has been rescuing KCA International (formerly Berry Wiggins) from its embarrassments in Nigeria, has now lent the company a further £2m at the same time as he has withdrawn his bid for the whole of the company.

Mr. Ward has apparently bowed to the Board's belief that his April offer of 29p is too low in view of the very improved pros*pects of the company*. So he has decided to retain only the 24 per cent of the company which was part of the rescue package as well as appointing his chief executive. Texan banker Mr. Lewis Johnson, to the Board.

Mr. Paul Bristol, chairman of *KCA, admitted yesterday* that the main reason for these improved prospects was Mr. Ward's intervention, but he also claimed that the *company's trading position* was also much brighter.

In fact, had it not been for a second intervention by Mr. Ward, the company would still be in considerable difficulties, as Mr. Bristol admitted.

The arrangement with Mr. Ward in November, whereby he acquired 24 per cent of KCA (through the issue of new shares) and paid the company for its Algerian oil rigs—a package sufficient to cover the cost of KCA's $23.2m loans from Manufacturers Hanover—was conditional on the rigs leaving Algiers.

That event was held up for some months because KCA had some $3.8m liabilities in Algeria which had to be met before the *rigs were permitted to leave port*. Briefly Mr. Ward has taken over these debts by lending KCA $3.6m for a year.

Now Mr. Bristol says that KCA will have total borrowings of under $10m compared with an issued capital expanded by $3.6m. In addition, it is now a much more streamlined company with the elimination of the troubled Nigerian side and the "Sea Search" subsidiary.

Trading in the two remaining subsidiaries, KCA Drilling and BW Mud is apparently very improved and Mr. Bristol expects the 1978 results to show an improvement over last year.

The report and accounts for 1977, due out within a week, will apparently contain some final write-offs on the Algerian activities, but since the end of June the company has no further liabilities there.

NEW CONTAINER COMPANY

Manchester Liners, the UK shipowner, *has reached agreement in* principle with Seatrain Lines of the U.S. and ICIT of Saudi Arabia to *form a joint company to operate container ship services to* the Middle East and the Mediterranean.

Manchester Liners and ICIT will *acquire 51 per cent of the new company from Seatrain for $16m*. Full agreement is subject to approval by the boards of the three companies.

ICIT is owned by members of the Alirreza family, but the new company will be operated by staff appointed by Seatrain.

The acquisition price will be paid by Manchester Liners and ICIT in the form of an initial payment of $3m: $8m will be paid by bank *gaurantee notes and the* balance will become payable in the future, at rates which will depend on the *performance of the new company*.

RIGHTWISE

Rightwise, a new public plantations company to be created out of a merger of five companies, does not intend to pay dividends in respect of 1978 or 1979 unless there are exceptional circumstances such as a commodity price boom. *This decision is declared* in the massive offer document sent to shareholders. The policy is designed to facilitate the *development of the group*.

Those shareholders of Deund who want to retain their income can opt for convertible loan stock. *Shareholders in* Gadek Indonesia also have a limited option to be issued with convertible stock, but holders of *Sampang Java and Arbour* Court shares get no such option since it was considered most unlikely that any dividends in respect of *1978 or 1979 would have been paid* by these companies.

CASKET BUYS RIVLIN OFFSHOOTS

Assets of certain subsidiaries of I. D. and S. Rivlin have been *acquired by S. Casket (Holdings)* from Mr. W. G. Mackey of Whinney Murray and Co., the receiver of those companies.

The price is £374,500 cash, a significant proportion of which is accounted by stocks which Casket would, in any event, use in the normal course of business.

Casket has agreed to buy two freehold and, subject to landlords consents, 26 leasehold menswear retailing units, together with certain fixtures, trading stocks and motor vehicles, owned or occupied by Sachs and Sherman, the Teesside Army Stores and Bunnay (Hosiery).

The units being acquired are principally located in Teesside and North-East, and had a turnover in the 11 months to April 30, 1978 of some £1.1m.

Caskets sees this purchase as a logical and geographically appropriate *extension of their retailing* division which will comprise over 70 shops with an annual turnover approaching *£4m*.

StanChart's financing plans

Standard Chartered Bank has given the first public indication of how it plans to finance its ambitious $372m bid for Union Bancorp, which was announced early last month.

Yesterday, it unveiled a $100m issue of floating rate notes due August 1990. According to the *company, the proceeds will be* made available either for use in the international business of the bank or, as part of the banks *general funds, to* meet part of the consideration for the acquisition of Union Bancorp.

In the latter event, the balance *of the consideration ($272m) for* this acquisition will be funded as to approximately half from the bank's own resources (£70m) and as to the remaining half by other means to be determined in the light of the progress of the acquisition.

Until recently, Standard Chartered's balance sheet has contained virtually no debt. However, last year it embarked on a programme of tapping the international capital markets. In May 1977 it raised a $50m floating rate note issue and in December it raised DM125m. This latest issue will take its loan capital up to some £113m, against a net worth of £380m and a market capitalisation of £273m.

RAJAWELLA

The cash offer by A. Mendez *and Co. (UK) for the capital of* Rajawella Produce Holdings, has been declared unconditional as to acceptances, and will remain open.

Acceptances in respect of 184,283 shares (15.29 per cent) have been received which, together with the 435,330 shares (36.13 per cent) held by AMC and its subsidiaries before the offer period, total 619,613 shares (51.42 per cent).

A circular will be sent within 21 days informing shareholders whether the offer has become unconditional in all respects.

TURNER MFG.

THE AGREED bid from Dana Engineering for Turner Manufac*turing has been accepted in* respect of 96 per cent of the shares.

Both the ordinary offer, for the ordinary *shares* and the 5 per cent non-cumulative second preference shares and the preference offer, for the cumulative *preference shares, have been* declared unconditional and remain open.

CUSTOMAGIC AND MOOLOYA

Charterhouse Japhet, the *financial adviser to Mooloya* Investments, has written to shareholders of Customagic Manufacturing encouraging them to *accept Mooloya's controversial* bid now that it has been declared unconditional.

Mr. P. P. Ralph, who has signed *the letter*, suggests that there is "uncertainty of dividends on a shareholding in a subsidiary company" which is what Customagic has effectively now become. He contrasts this with a 12 per cent income yield they can obtain by accepting the convertible unsecured loan stock of Mooloya.

Among the other *reasons he* puts forward, he writes that acceptance will "help bring to an end the uncertainty under *which Customagic and its* employees have had to operate during recent weeks."

Customagic shares are above *the level of Mooloya's offer on* the basis of the prices shown in the letter.

REDLAND TILES

Redland Roof Tiles of Reigate, Surrey, is conducting negotiations with the E. Alec Colman Group to purchase Essex Group Industries for between £200,000 and £300,000.

E.G.I. currently manufactures concrete roof-tiles from one works at Swaffam in Norfolk. The purcahse by Redland will add to its product range the nationally distributed single pantile and the locally *distributed* "Duoro" double Roman tile.

ASSOCIATES DEALS

On July 17, Hill Samuel bought for a discretionary investment client 5,000 T. Tilling at 120p and 10,000 at 120½p.

Hedderkicg Stirling Grumbar as brokers to Newman Industries bought on behalf of Newman and Son (Holdings) 30,8000 Wood ordinary shares at 55p non-assented for cash.

Baker Perkins in U.S. deal

Baker Perkins Holdings, manufacturer of machinery for the food and chemical industries, has agreed to buy Werner Lehara of Michigan in the U.S. for $4.35m.

In its financial year ended June 30, 1977 Werner made pre-tax profits of $959,000 on sales of $9.4m. Baker Perkins plans to develop Werner's exports through its world-wide marketing network.

The report and accounts of Baker Perkins were also issued yesterday. In a statement, Mr. J. F. Braithwaite, the managing *director, says he believes the* return on capital employed, after providing for inflation, can and should be improved.

He says that over the past two years the group has demonstrated that it is capable of earning a return which is sufficient to fund *the costs of inflation and to* service its capital.

The return on average capital employed of profit before interest *and tax was 22.8 per cent in* 1977-78, compared with 21.3 per cent in the previous year and 14.7 per cent in 1975-76.

*During the year, group spend*ing on research and development rose from £1.75m to £2.2m and the group plans to spend £3m in *the current year, Mr. Braithwaite* states.

Capital expenditure increased to £5.66m compared with the previous year's *£3.57m and £1.63m in* 1975-76 and he adds that expenditure this year is likely to be similar in amount to 1977-78.

Mr. Braithwaite emphasises the strength of the continuing businesses which in 1977-78 achieved a sales increase of about 12 per cent, if adjustments are made to reflect the disposal of the group's laundry machinery business, the run down of air conditioning contracting in Australia and the strengthening of sterling.

Profits on sales improved from 8.8 per cent to 9.7 per cent as a result of eliminating some unprofitable business activities, he says. Pre-tax profits for the year to March 31, 1978 were ahead at £8.93m (£7.92m), on sales of £86.5m (£81.42m)—as reported June 23.

On a CCA basis, 1977-78 taxable profit is reduced to £6.33m (£4.27m), after adjustments of £1.25m (£1.1m) on depreciation, £1.45m (£2.7m) on cost of sales, offset by gearing of £96,000 (£169,000).

Though the results for the current half-year are unlikely to exceed those for the same period of last year, the group should make further progress in the full year, Mr. I. H. G. Gilbert, the chairman, confirms in his annual statement.

DERBYSHIRE TIMES

Scottish newspaper group, F. Johnston of Falkirk, has made a takeover bid for the Derbyshire Times, the weekly based at Chesterfield. Shareholders have been recommended to accept.

ROSEHAUGH RE-LISTED

Rosehaugh Company, the small investment vehicle in which tax specialist Mr. Godfrey Bradman has nearly 50 per cent, has been *transformed into a cash and asset*-rich property holding company.

The shares were re-listed yesterday following a circular to shareholders outlining some spectacular property dealing involving over £30m worth of properties.

Rosehaugh paid £850 for a 28.3 per cent stake in a company called *Sunbourne a subsidiary of which* pid £11.25m for Maple House in Tottenham Court Road. Renamed International House it has now *been sold to British Steel Cor*poration's pension fund for £15m, thereby achieving, as the circular says, "a substantial profit."

Rosehaugh also paid £70,000 for a 20 per cent interest in another company Tannergate. This paid £13.5m for a portfolio of flats, shops and offices from Legal and General Assurance last year.

Tannergate has now sold sufficient of this portfolio to reduce its borrowings to £3m and to create net tangible assets of £1.5m (£300,000 of which can be attributed to Rosehaugh).

Furthermore, the remaining portfolio—largely consisting of shops and offices—has just been *revalued at £13.7m, a surplus over* book value of £8m.

Shareholders must now be looking forward eagerly to the *accounts for the year to June 30* particularly since the directors say that Tannergate will be treated as an associate so that Rosehaugh cn shre in the equity.

WESTON-EVANS

Birmingham and Midland Counties Trust picked up a further 0.5 per cent of the shares in Weston-Evans yesterday, bringing its holding to 42.51 per cent. *Birmingham is bidding 124½p a* share for Weston-Evans, which the latter's Board think is inadequate and unacceptable on the *basis of either assets or earnings*.

The offer documents are unlikely to be sent to shareholders before the end of the month *when Mr. Graham Ferguson* Lacey, the owner of Birmingham, returns from holiday.

MINING NEWS

Murchison goes back into the red

BY KENNETH MARSTON, MINING EDITOR

DOUBLE disappointment comes r holders of the Anglo-Vaal oup's antimony-producing Conlidated Murchison. Firstly, les of antimony concentrates ve fallen sharply in the past iarter after the improvement of e previous three months with e result that the mine has gone ck to making losses.

Secondly, the latest quarterly port makes no mention of any ld find having been made beath the primarily antimony ebody. Rumours to this effect uched off a sharp recovery in e shares to 290p at the end of st month; they were 235p yesrday.

After having paid a dividend of 0 cents for 1976, Murchison clared a total of only 30 cents r 1977 and has passed its inrim for the current year. On e current showing the chances a final appear to be *slim*.

But shipments can vary from iarter to quarter and there is e hope of an improvement in e current period. Furthermore, e mine's stockpile of already id-for concentrates and cobbed e will be a revenue booster hen the market eventually picks).

The group's Prieska copperne mine reports a lower June iarter profit despite increased iles. Rising costs and low metal rices have hit results for the ill year to June 30, net profits nounting to only R6m (£3.7m) ompared with R13.7m in 1976-77.

On the other hand, the gold nd uranium-producing Hartecest has done well thanks to the nce-only receipt of part of the revious quarter's gold revenue rising out of the new arrangeients for payment for gold eliveries in South Africa. The ix charge has doubled in the une quarter, but the mine's total et profit for the year to June 30 as advanced to R43m from 23m in 1976-77.

Planned production for the urrent year is 2.9m tons of ore ith an average gold grade of 9.7 grams per ton compared ith the past year's output of .93m tons average 11.3 grams per on. The capital expenditure stimate for 1978-79 is R16m gainst the R14.7m spent in the ast year.

The latest quarterly net profits, or sses, of the group's mines are compared i the following table:

	June qtr. R000	March qtr. R000	Dec. qtr. R000
arteebeestfontein	13,806	11,798	9,403
rieska	†577	†479	†940
ons. Murchison	*994	234	*153
Prieska	1,653	1,750	2,078
ast Transvaal	1,382	803	479

† After receipt of State aid. * Loss

The non-recurring payment received by the gold mines in the ast quarter as a result of the new ales arrangements has had the ffect of raising the average price eceived by the Johannesburg Consolidated group's Western Areas to $200 per ounce for its production in the three months. The average received in the March quarter was $171.

The impact of this higher price on revenue of a marginal mine is dramatically illustrated by Western Areas which reports a more than doubled net profit of R7.3m against R3.4m in the March quarter.

Randfontein, which announces a 35.6 per cent rise in net profits, adds that production of gold and uranium will start at its new Cooke plant in the current quarter. This capacity increase will allow the new supply of ore from the Cooke No. 2 shaft and Randfontein section to be treated for both gold and uranium.

Because this ore contains less gold than that being achieved from Cooke No. 1 shaft there will be a substantial fall in the *average gold grade of ore milled* in the current quarter, but this should be compensated for by increased uranium recovery.

	June qtr. R000	March qtr. R000	Dec. qtr. R000
Randfontein	18,357	13,537	14,675
Western Areas	7,314	3,482	7,338

HUDBAY EXTENDS OFFER FOR INSPIRATION

Inspiration Holdings, which is owned by the two Anglo American of South Africa transatlantic units, Hudson Bay Mining and Smelting and Minorco, yesterday announced that its offer to purchase the shares in Inspiration Copper it does not already own will be extended to July 31.

Hudbay and Minorco held 40 per cent of the Inspiration stock before they announced their intention in June of offering $33 (£18.12) a share for the remainder.

So far Hudbay and Minorco have built up their holding to 69 per cent. What is at stake now is a further 11 per cent of the Inspiration Copper equity as Anaconda, the Atlantic Richfield copper unit, owns 20 per cent and has declared it will not tender its shares.

Inspiration Copper is one of the oldest U.S. copper groups and has holdings in Arizona. It also produces modest amounts of gold, silver and selenium.

HECLA CUTS ITS LOSSES

In the face of mounting financial difficulties. Hecla Mining, the U.S. group, will sell its share of the Lakeshore copper mine in Arizona before the end of the year. The mine is a joint venture with an El Paso Company unit.

Hecla announced this decision at the same time it is revealed that four New York banks have agreed to defer the payment of interest and principal on a $57.8m (£30.7m) debt until September 30 from the end of this month. It is hoped that the loan can be restructured in the next few weeks.

Hecla has invested some $100m in Lakeshore, but the mine had to close because of low prices, thus putting a strain on the company's financial resources.

The result of this strain has been a programme of retrenchment which involves the reduction of exploration activity and the closing of company offices in Denver, Reno and Vancouver. The number of personnel at Lakeshore has been reduced from 140 to 16.

PHOSPHATE FIND IN GREECE

Good quality phosphate deposits totalling 11m tons have been discovered in the Drymon area of western Greece, 65 km north east of Preveza, reports our Athens correspondent

An announcement from Mr. Miltiades Evert, the Minister of Industry and Energy, said that samples were being tested and that if the mineral is suitable, the deposits are expected to meet Greek phosphate requirements for the next seven years.

MINING BRIEFS

EX-LANDS NIGERIA—Production of tin ore for June: 22 tonnes (May: 24 tonnes).

P. Harris advances to £0.7m

AFTER A downturn at midway, pre-tax profits of Philip Harris (Holdings) recovered in the second six months to finish ahead from £685,254 to £702,234 for the year to March 31, 1978. Turnover was better at £9.23m against £8.44m.

When announcing first-half profits down from £330,209 to £276,169, the directors said that with the volume of orders in hand, the second six months was expected to show a significant improvement in profitability.

After tax of £374,589 (£360,112), full-year earnings were little changed at 10.1p (10p) per 20p share. A final dividend of 2.976p steps up the total payment from 3.867p to 4.276p net.

The group makes and distributes educational scientific equipment, pharmaceutical and surgical products.

Midway rise by Dewhurst & Partner

Supporting the forecast for a marked improvement in profitability during the current year, Dewhurst and Partner, electric control equipment maker, expanded taxable earnings from £72,530 to £127,600 in the half year to April 2, 1978. For the whole of 1976-77 profit was £167,000, compared with a high of £215,000 two years earlier.

First-half sales were better at £1.91m (£1.5m) and after tax of £66,350 (£37,720) earnings per 10p share reached 0.85p (0.48p). The net dividend, based on tax at 34 per cent, is lifted to 0.275p (0.25p) but will be increased if tax rate is lowered. Last time the final was 0.575p.

Second half recovery at Birmingham Mint

A STRONG recovery in the second half by the Birmingham Mint, following a factory fire, has enabled pre-tax profits to advance from £365,000 to £386,000 in the year ended April 1, 1978. First half profits were down £182,000 at £44,000.

The current year has started well with a record intake of new coinage orders, the directors say. Trading profits in the first quarter were substantially higher than in previous years and almost all parts of the group have participated.

An excellent result is therefore expected for the first half with indications that the trend will continue through the second six months.

Earnings per 25p share for 1977-78 are given as 16.8p, a rise of 80 per cent over the previous year. The final dividend is 3.36p making a total of 4.86p compared with 4.35p.

	Year 1977-78 £000	1976-77 £000
Turnover	[illegible]	8,782
Trading profit	400	319
Loss on metal stocks	14	*47
Profit before tax	[illegible]	365
Tax	32	189
Net profit	354	176
Minority profit	14	†13
Extraord. debit	57	38
Dividends	101	90
Retained	182	61

* Profit. † Loss.

Reinstatement of production was completed in April following the underground fire which disrupted the group's main factory for eleven months of the financial year.

A settlement has been reached with the insurers, with the result that the fire losses are not deducted from the trading profit as was the case in the half-year announcement. The amount borne by the group is shown in the accounts as an extraordinary item of £57,000.

Trading conditions in the coinage market continued to be difficult throughout the year, but the collector marketing activities prospered during the Silver Jubilee year, the directors say.

The group's various presswork products were all subject to the prevailing flat levels of demand in UK markets, but these activities are now being operated at a reasonable level of profit.

The security services subsidiary has more than doubled its sales in the course of the last 12 months and has established a significant presence in the cash-carrying market.

Cattle's turnover well ahead

TURNOVER IN the first three months of the current year at Cattle's (Holdings) in excess of 30 per cent up on last year, is ahead of target and, despite one or two clouds on the horizon, the directors are extremely optimistic for the future, says Mr. Roy Waudby, the chairman, in his annual statement.

Costs of borrowing moved in the company's favour last year compared with the historically high levels of the previous year, but present trends indicate that the average cost of borrowed funds will be higher this year, he adds.

As reported on June 27, pre-tax profits rose from a restated £1.22m to £1.5m for the year ended March 31, 1978, on turnover of £34.48m against £28.9m. A one-for-five scrip is also proposed

Using the Hyde guidelines, historical pre-tax profit is reduced to £1.14m, after adjustments for depreciation of £86,000, cost of sales £80,000 and gearing on net monetary assets £197,000.

Western Board tops £0.9m

WITH TAXABLE earnings of £495,356, against £361,194, coming in the second half, Western Board Mills achieved sharp growth in profit from £661,194 to a record £918,356 for the year to March 31, 1978.

In January the directors had said that sales and profit continued to show increase and considerable improvement was expected at full time.

Turnover for the 12 months reached £3.02m (£2.5m). After tax of £451,967 (£322,175) earnings per 10p share emerged 2.4p higher at 8.8p. A net final dividend of 2.5p lifts the total to 3.7p (3.3p).

Profit includes a surplus on the sale of investments of £69,864 (£96,372) and the contribution from Turner and Co. (Cardiff) up to the date of its sale, for £23,000, to Severnside, a subsidiary of Ashton Paper Mills, in September. After an extraordinary credit of £20,384 this time, relating to the net gain on this disposal, available profit came out at £486,773 (£330,019), of which £415,030 (£275,032) was retained.

The ultimate holding company of the group, which makes mill and fibre boards and board components is Legov (Jersey).

Brotherhood at £0.7m as forecast

COMPARED WITH the April estimate of £730,000, Peter Brotherhood, the machinery and power plant group, has turned in a pre-tax profit of £763,585 for the year ended March 31, 1978, which shows a reduction of £624,484 on 1976-77.

At the interim stage (when profits of £320,000 against £490,000 were shown) the directors pointed out that turnover was much influenced by delivery dates of individual contracts and did not reflect the level of activity in the factory. Substantial improvement in order intake continued during the period and would be reflected in deliveries in 1978-79.

Providing for tax of £314,526 (£477,886) and an extraordinary item last time of £181,950, the net profit emerges at £449,059 against £728,772.

The final dividend is the forecast 4.5375p net, taking the total up from 5.775p to 6.3525p.

BUTTERFIELD HARVEY

Butterfield-Harvey subsidiary, Habridge Engineering (St. Neots) has changed its name to Harvey-Habridge and will now manufacture and market all the group's products for the mechanical services industry.

All the heating products previously handled by Habridge Engineering (St. Neots) in addition to the plumbing equipment from Harvey Fabrications, will become the responsibility of the new company.

Manufacturing will continue at both existing plants in Telford and Greenwich; the company's administrative and marketing functions will be co-ordinated from a new head office in central London.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Market boom lifts broking profits

BY JOHN WYLES

NEW YORK, July 18

THE CRUCIAL importance to the U.S. securities industry of the dramatic stock market surge which began in mid-April is emphasised by profit increases of up to 158 per cent which are being reported by the publicly quoted companies.

During the past quarter, trading volume on the New York Stock Exchange has averaged 33.5m shares a day compared to a modest 20.6m daily average a year ago. The impact on commission revenues has been spectacular and Merrill Lynch and Co, the largest brokerage house in the U.S., reported today that its commission income in the quarter ended June 30 had leaped by 82 per cent.

The trading rally has been a badly needed lifeline for many securities companies following the 1977 financial year which saw profits slump by more than 50 per cent. This trend continued in the first quarter of the current year and question marks were place dagainst the ability of a number of smaller non-public companies to continue

Compared to a year ago, Merrill Lynch's net profits in the recent quarter rose 80 per cent to $29.6m on revenues which were 43.1 per cent higher at $408.1m. Earnings per share rose from 47 cents to 83 cents.

For the half year, the brokerage giant turned in a net profit of $39.8m, 19.6 per cent higher than last year's $24.9m on revenues which were 31.7 per cent up at $523.5m.

Merrill Lynch's chairman, Mr. Donald Regan and president, Mr. Roger E. Birk, acknowledged today the importance of the "unprecedented" spring surge in the stock market, but also said that the company had benefited from a sharp improvement in investment banking, options, commodities and equity trading.

Similar statements were made yesterday by two other members of the securities industry's top ten. E. F. Hutton reported a rise in net profits in the last quarter to $113m. Revenues increased 64 per cent to $139.7m.

Meanwhile, Paine Webber ended the quarter with a 127 per cent rise in net income from last year's $2.3m to $5.2m. Revenues rose by 64 per cent to $110.5m.

13% increase for United Technologies

By Our Own Correspondent

NEW YORK, July 18.

UNITED TECHNOLOGIES, the company whose Pratt and Whitney jet engine division has just won the order for the new Boeing 767 widebodied jet, today reported a 13 per cent gain in earnings for the second quarter of the year.

Net income rose from $50m or $1.09 a share to $56.5m or $1.22 a share, and sales rose from $1.4bn to $1.5bn.

For the first six months, net income increased by 14 per cent to $109.5m or $2.36 a share from $95.8m or $2.09 a share, on a sales increase of 9 per cent to $3bn.

At the end of the second quarter, the company said that its order backlog was 37 per cent higher than a year ago at $7.1bn.

Beckman denial

Beckman Instruments denied charges that it was infringing Buroughs' patents on planar gas discharge displays for electronic equipment and has asked a Newark federal court to declare the Burroughs patents invalid, AP-DJ from Fullerton. Beckman also asked the court to dismiss the suit. In answering, Beckman said the contested patents were invalid because they were anticipated or made obvious by prior art which existed when the alleged inventions were made by Burroughs.

Major banks ahead at halfway

BY OUR FINANCIAL STAFF

CITICORP, the second largest commercial bank in the U.S., boosted net profits by just over 22 per cent in the second quarter to $127.5m from $104.1m, producing earnings per share of $1.02 against 83 cents after securities transactions.

For the whole of the first half, there was a 21 per cent gain in earnings to $233.3m, with per share earnings of $1.88 ($1.54). Both profit figures include $20m from the sale of Citibank's Paris branch building.

Citicorp, whose main commercial banking unit—the largest in New York—was formerly called First National City Bank, said net loan losses of $83m were charged to first half earnings. On top of this, $50m was added to the loan loss reserve, both figures showing little change from last year.

Another of the country's top ten banks, Continental Illinois, reports a near 12 per cent advance in net profits to $39.6m from $35.5m, with earnings per share in the second quarter of $1.11 against 99 cents.

First half earnings rose at a slightly faster 14 per cent rate to $79.7m and earnings per share amounted to $2.23 after $1.96 for the same period of 1977.

Loan loss provisions for the second quarter totalled $10m; for the first six months, they were $24m. The bank's average loans in the second quarter showed a rise of 20 per cent over the comparable quarter of last year. Domestic loans averaged $11.2bn against $9.3bn and overseas loans $4.1bn against $3.4bn. Net interest income for the second three months was up 12.6 per cent to $143.7m.

Also reporting second quarter figures today was Security Pacific, whose net profits rose from $24.9m to $33.8m making earnings per share of $1.58 compared with $1.17.

The earnings total for the first half was up to $63.6m from $48.9m and the per share figure emerged at $2.98 ($2.29). The bank's first half loan total rose to $12.9bn from $10.4bn, while deposits climbed to $16.2bn from $14bn.

The nation's largest bank, the California-based Bank of America yesterday reported a 27 per cent earnings gain in the second quarter to $118.3m (against $93.1m). This brought its earnings for the first six months to $220.8m, equal to $1.51 a share, against $176.1m or $1.21 a share—an increase of 25 per cent.

Republic Steel upturn continues

BY OUR FINANCIAL STAFF

A CONTINUING recovery in sales has boosted net earnings at Republic Steel in the second quarter, but the company president, Mr. William J. de Lancey, warns that the outlook depends heavily on the future level of steel imports.

Net earnings of $1.94 a share have increased from $1.37 in the comparable quarter last year. Total net earnings have risen by 41 per cent on a quarter to quarter basis to $31.36m. Sales jumped by 17 per cent to $910.8m.

For the first half of the year, Republic has turned in net earnings of $41.1m or $2.54 a share, against $16m or 99 cents. Sales of $1.7bn show an increase from the $1.4bn reported for the first half of last year.

The outlook for the remainder of the year will be greatly influenced by the effectiveness of the Government's trigger price system in reducing the level of steel imports into the U.S., Mr. de Lancey said.

For the whole of 1977, Republic reported a fall of 38 per cent in net earnings to $41m or $2.54 a share, although sales rose from $2.6bn to $2.9bn.

U.S. QUARTERLIES

AMER. CYANAMID	1978 $	1977 $	DICTAPHONE	1978 $	1977 $
Second Quarter			Second Quarter		
Revenue	688.8m	600.7m	Revenue	59.9m.	51.9m.
Net profits	39.6m	39.3m	Net profits	2.91m.	1.83m.
Net per share	0.83	0.82	Net per share	0.65	0.43
Six Months			Six Months		
Revenue	1.3bn	1.2bn	Revenue	116.6m.	103.2m.
Net profits	76m	70.9m	Net profits	5.72m.	3.28m.
Net per share	1.59	1.48	Net per share	1.29	0.77

NATIONAL GYPSUM	1978 $	1977 $	ST. REGIS PAPER	1978 $	1977 $
Second Quarter			Second Quarter		
Revenue	241.0m	192.0m	Revenue	609.8m	518.7m
Net profits	17.7m	11.6m	Net profits	39.9m	28.9m
Net per share	1.08	0.71	Net per share	1.25	0.91
Six Months			Six Months		
Revenue	423.0m	338.0m	Revenue	1.13bn	990.7m
Net profits	27.0m	14.2m	Net profits	55.4m	49.8m
Net per share	1.65	0.87	Net per share	1.73	1.57

CHAMPION INT.	1978 $	1977 $	ELI LILLY	1978 $	1977 $
Second Quarter			Second Quarter		
Revenue	895.6m	792.4m	Revenue	444.5m	375m
Net profits	57.1m	44.5m	Net profits	70m	55.2m
Net per share	1.15	0.86	Net per share	0.99	0.78
Six Months			Six Months		
Revenue	1.7bn	1.6bn	Revenue	927m	780.4m
Net profits	100.4m	72.3m	Net profits	149m	119.4m
Net per share	2.01	1.43	Net per share	2.11	1.69

NORTHWEST INDUSTRIES	1978 $	1977 $	U.S. INDUSTRIES	1978 $	1977 $
Second Quarter			Second Quarter		
Revenue	614.0m	459.2m	Revenue	346.4m	344.9m
Net profits	39.13m	31.75m	Net profits	13.8m	12.4m
Net per share	1.27	1.03	Net per share	0.45	0.36
Six Months			Six Months		
Revenue	1.14bn	884.1m	Revenue	669.7m	683.3m
Net profits	68.65m	57.13m	Net profits	25.2m	22.7m
Net per share	2.22	1.83	Net per share	0.81	0.66

Further advance by American Motors

By Our Financial Staff

AMERICAN Motors Corporation has pushed earnings ahead again in the third quarter of this year, although the company reports that tax credits have continued to play a significant role in the results.

Net earnings for the quarter have risen to 10 cents a share, from 6 cents in the comparable quarter, while total net of $3.1m compares with $1.6m last time. Sales increased from $580m to $703m.

The 1978 figure excludes an extraordinary credit of $3m or 10 cents a share from a tax loss carried forward.

AMC, the smallest of the U.S. car companies, has been badly hit by losses from its falling sales of passenger cars, although there has been booming demand for its Jeep vehicles.

For the nine months to June 30, AMC has earned $6.1m or 20 cents a share, compared with $5.3m or 18 cents previously. Sales of $1.9bn compare with $1.7bn. The 1978 net figures exclude a 15-cents-a-

Steady growth at Northrop

LOS ANGELES, July 18.

NORTHROP, the aerospace group, has maintained its first quarter impetus with earnings for the three months to last June showing a gain of 30 per cent at $21.5m, equal to $1.52 a share, on sales 22.7 per cent higher at $453m.

These results bring earnings for the half-year to $40.9m, or $2.90 a share, also 30 per cent up on last year's corresponding figures of $31.4m or $2.31 a share. Sales for the six months were up from $741.3m to $887.3m — an increase of 19 per cent.

Net earnings for the whole of 1977 advanced by 82 per cent to a best-ever $86m on sales of $1.6bn.

The backlog of orders at June 30 amounted to $1.5bn compared with $1.9bn at June 30 last year. The company said the reduction is the result of work performed under the "peace hawk" programme in Saudi Arabia.

Agencies

FED bank move

THE Federal Reserve Board has proposed to allow bank holding companies to get into the cheque verification business, AP-DJ reports from Washington. The Board said Barnett Banks of Florida, a Jacksonville bank holding company, has applied to provide the service. Such services are currently provided by some banks and other concerns.

Texas Eastern uses North Sea cash to buy Olinkraft

BY DAVID LASCELLES

NEW YORK, July 18.

IN A MERGER seen by analysts here as an early example of a U.S. oil company exploiting its extra cash flow from North Sea operations, Texas Eastern has agreed to buy Olinkraft, a forest products company, for $460m.

Terms of the merger, which was preliminarily indicated last week, provide for the exchange of each Olinkraft share for either $51 or one share of new Texas Eastern convertible preferred stock. The terms recommended by the Boards of both companies have yet to be approved by the shareholders.

Texas Eastern, based in Houston, Texas, is primarily a natural gas producing and transmission company. However, it has a significant stake in the North Sea through its participation in the Beryl, Montrose and Tor fields, as well as three gas-fields off the Norfolk coast. With production from these facilities now rising fast, analysts have predicted an increase in the company's North Sea profits this year of over 50 per cent.

The acquisition of Olinkrafft was described by one analy[st] today as a logical use [of] heightened cash flow to diversi[fy] into non-wasting assets. G[as] pipeline operators also fa[ce] tougher Government regulati[on] and this is prompting many [of] them to venture into less reg[u]lated industries.

Olinkraft only emerged as [a] separate corporate identity [in] 1974 as a spin-off from Olin Co[r]poration, the diversified indu[s]trial group. Its sales last ye[ar] were $381m and net profi[t] $35m.

Papermakers show steady rise

BY OUR FINANCIAL STAFF

TWO major paper and pulp manufacturers in the U.S. have produced quarterly results showing steady gains in sales and earnings in the second quarter and first six months of the current fiscal year.

Boise Cascade, which also makes timber and wood products and building materials, made net income of $40m or $1.48 a share in the second quarter compared with $32.6m or $1.10 a share in 1977. Sales revenues rose from $591.3m to $694.2m. This lifted first half net income from $56.7m or $1.92 a share to $79m or $2.59 a share, on sales ahead from $1.11bn to $1.28bn.

The company said that although demand for linerboard was strong, the price, along with the price of pulp, remained poor. Paper manufacturing operations were also hindered by strikes.

Results from paper and related operations were up from the first quarter and also from the second quarter of last year, Boise Cascade said. Volumes were strong, and prices continued to improve on most grades of paper.

The company expects a good result for the full year if the labour negotiations at its pulp and paper facilities are concluded successfully.

Scott Paper reported ne[t] income for the second quart[er] ahead from $17.50m or [...] $24.2m, on sales up from $380 to $421.6m. Earnings moved [up] from 46 cents a share to [...] cents. Last year's income figure are stated before an extra[ordinary] credit which brought the final net income figure [up] to $19.31m or 50 cents a share.

Six months net income wa[s] $44.7m or $1.18 a share com[pared] with $34.43m or 89 cents. Extraordinary credits brough[t] the final figures for the s[ix] months period last year t[o] $71.51m or $1.85 a share. Sale[s] were $818m against $740.2m.

Improved half-year results from Pullman

CHICAGO, July 18.

PULLMAN, the transport equipment, engineering and construction concern, has turned in record earnings for the second quarter and also looks set to recover from the 27-week closure of its rail-car plants by a strike which ended in early April.

Net profits more than doubled to $20.1m from $8.9m, with earnings per share of $1.83 against 81 cents.

There was also a sizeable jump in first-half profits to $23.9m from $14.6m, producing earnings per share of $2.18 compared with $1.33 in the same period of last year.

Pullman's revenues in th[e] second quarter went up fro[m] $530.2m to $621.6m; for the firs[t] six months, they advanced fro[m] $997m to $1.1bn.

The company said its orde[r] backlog at June 30 showed a[n] increase from $4.1bn to $4.6bn.

Agencies

BRIEFLY

Second-quarter strength at CertainTeed

NEW YORK, July 18.

CERTAINTEED Corporation, the building materials group, lifted net profits from $13.69m to $14.49m in its second quarter on sales of $236.86m compared with $212.72m. The average share capital in issue was $14.75m against $14.68m.

Earnings per share for the three months to end June 30, 1978, were slightly lower than the comparable quarter of 1977, at 93 cents against 94 cents, because of the quarterly dividend on the series "D" preferred stock issue in December 1977 and the increased number of common shares outstanding in 1978.

Texas Utilities lifted second quarter earnings from $24.9m, or 39 cents a share to $31.9m or 40 cents a share. Building products group Evans Products also did better, second quarter earnings amounting to $1.24 a share, against 92 cents previously. Elsewhere, Nicor's half-year net rose from $4.09 to $4.98 a share.

Earnings of Hilton Hotels Corporation for the first six months of the current fiscal year jumped from $1.33 to $2.50 a share, while the computer equipment manufacturer Memorex Corporation moved up from $2.54 to $2.79 for the same period. Gould Incorporated's earnings for the six months advanced from $1.79 to $1.32 a share. The company makes electrical goods.

Trane Company, which manufactures air conditioning and heating supplies, moved ahead from $2.05 to $2.48 for the first half, and the insurance broker Marsh and Mclennan advanced from $2.24 to $3.64. Medicines and enzymes supplier Baxter Travenol increased from $1.08 to $1.32 in the six months, while clothing manufacturer Hanes Corporation was up from $2.21 to $2.50.

The Government-sponsored mortgage corporation Federal National Mortgage Association rose from $1.64 to $2.05 for the first six months. Great Northern Nekoosa, which makes paper and paper products, moved ahead from $1.85 to $2.20, while the paper and fabrics concern Huyck Corporation slipped from 63 cents to 56 cents a share.

Agencies

EUROBONDS

Standard Chartered terms

BY MARY CAMPBELL

STANDARD CHARTERED last night launched its expected floating rate note issue. It is $100m for 12 years (bullet) with interest payable at a margin over Libor of a quarter of a point or 5¼ per cent, whichever is the higher. The lead managers are European Banking Company, Schroder Wagg and Morgan Stanley.

The proceeds will be available if necessary to meet part of the payment for the U.S. bank Union Bancorp. An announcement yesterday said that the balance of the purchase price would come half from Standard Chartered's own resources and half from "means to be determined in the light of the progress of the acquisition."

A DM100m bond for Chase Manhattan Bank, led by Westdeutsche Landesbank Girozentrale (WestLB) is scheduled for July 24. On July 26 a DM 35m private placement for Uniroyal is expected from Berliner Handels und Frankfurter Bank.

A Nippon Steel DM100m bond is expected on July 28 from Deutsche Bank. On July 31, Commerzbank is expected to bring out a DM75m bond for the European Investment Bank.

Closing the calendar, on August 2 a DM65m private placement from WestLB for Mitsubishi Petrochemical Company is expected, and a DM65m bond for United Department Stores is scheduled for August 7.

Two dollar bonds were priced late on Monday, Thorn's convertible and The Quebec Province issue on the New York market. The latter had its coupon set at 10 per cent on a 99½ per cent offering price.

The terms of the Thorn issue were finally set rather more favourably than had been indicated. The coupon was raised to 7 per cent from the indicated 6¾, while the conversion price was set at 367p for a premium of 4.83 per cent. The share price has moved from 338p to 350p at the close on the day the issue was announced (and after the dividend increase had had time to take effect) to 350p. Yesterday it closed at 352p.

The bonds yesterday traded at 98½/99, but turnover was described as small.

One feature of the last few days' trading has been the strength of sterling denominated issues, which have moved up several points recently in some cases.

In Switzerland it has emerged that the World Bank plans a big bond issue in August. The Genossenschaftliche Zentralbank issue has been priced at 99½ on a 4½ per cent coupon and the Euratom issue at par on a 4½ per cent coupon. The Swiss authorities have exempted the latter from the quota restrictions, which suggest that they are flexible on the strictness with which these restrictions are being operated.

● At its Monday meeting the West German Central Capital Market Subcommittee approved a calendar of DM515m in Deutsche-Mark denominated Eurobond issues for July, AP-DJ reports from Frankfurt.

The July calendar compares with a DM330m calendar for the month ending July 12, following a one-month suspension of new new issues that began on May 12. In April a calendar of DM900m was scheduled.

The calendar opens on Tuesday with a DM75m issue from the Austrian Kontrollbank, through a consortium led by Bayerische Vereinsbank.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Austrian steelmaker sees scant prospect of trading recovery

BY PAUL LENDVAI

VIENNA, July 18.

STRIA'S largest industrial ıpany, steelmaker Voest-ıine, whose 1977 results have n received in the local Press h cries of "catastrophe," does expect any trading recovery ; year.

ales in 1978 are expected to by between five per cent 10 per cent, but another r of massive trading losses qually in prospect. For 1977, st emerged with a loss of re than Sch 1bn ($68m) after ix month deficit that totalled 400m.

'oest's troubles are those of steel industry worldwide, the worst problems lie in foundries in the industrial a of Styria. Here, foundries st be closed down because by king so much at a loss they already eating up the slim ources which Oesterreichische ustrieverwaltungs AG (OIAG), holding company of the ionalised industries, have set aside for their restructure.

Voest has an investment programme of Sch 20bn and VEW, Voest's special steel subsidiary, of Sch 4bn up to 1985. The aim is to increase competitiveness abroad in finished goods and plant construction. Where the money is to come from is unclear. The OIAG's main political function is to place responsibility for the state industries at one remove from government. It "owns" these industries and can only borrow the money to cover their losses. But by the autumn it will already have reached the limit of its statutory borrowing power.

The Austrian Government has followed a policy of holding down unemployment at almost any price. So far, Voest has avoided dismissal by not replacing natural wastage. But the day when Voest will be forced to lay off employees could be approaching fast.

HVA may dispose of trading assets

By Michael van Os

AMSTERDAM, July 18.

HVA, the Dutch company which has some two-thirds of its assets effectively frozen in Ethiopia, may be about to dispose of some, or possibly all, of its remaining trading assets in an attempt to overcome financial difficulties.

The company's extensive sugar operations in Ethiopia were nationalised some three years ago, and HVA has for some time been negotiating for financial assistance from the Dutch Government.

Sources close to the company said the sale of the trading activities, mainly commodities, could pave the way for a full-scale takeover of HVA.

In 1977, the company's profits plunged to Fl 0.8m from 2.2m, while sales were also lower at Fl 591m compared to 609m. For the current year the Board has not ruled out the possibility of further losses, partly as a result of the cost of its restructuring programme.

DG Bank capital rise

A MAJOR increase in capital is planned for DG Bank International the Luxembourg subsidiary of West Germany's DG Bank, reports Reuter from Frankfurt.

The increase effectively doubles the Luxembourg bank's capital lifting it to LuxFr 880m comprising LuxFr 800m in capital and LuxFr 80m in fully subscribed premium.

CREDIT SUISSE WHITE WELD/FIRST BOSTON

New powerhouse in international finance

BY JOHN WICKS IN ZURICH, JOHN WYLES IN NEW YORK AND MARY CAMPBELL IN LONDON

THE plans for cross shareholding links under negotiation between First Boston and Crédit Suisse White Weld (CSWW) could create one of the most powerful international financial groupings in the world. By any standards it is likely to be considerably more powerful than the previous grouping of Crédit Suisse, CSWW and White Weld if it can be made to operate successfully.

It is a measure of the potential significance of the grouping that international bankers were divided yesterday on which of the potential partners would gain most from the new arrangements. For CSWW the essential element was to replace the U.S. investment banking arm which it lost when it failed to reach agreement with Merrill Lynch on who should run the international operations after the latter bought its stake in White Weld. The stake in First Boston would achieve this since First Boston is distinctly more prestigious as a U.S. investment bank than White Weld.

From Credit Suisse's point of view the advantages appear less clearcut given the potential alternative of retaining full control of CSWW. Sale of the former White Weld shareholding in CSWW would leave Credit Suisse with rather less than one-half of the CSWW parent company's capital. However, Credit Suisse would still be in effect the controlling shareholder—as was the case before May. While First Boston can be expected to be represented on the CSWW Board, actual management responsibility would remain with Credit Suisse.

Since the Zurich bank decided to take up its option to buy the White Weld shareholdings after White Weld was taken over by Merill Lynch, it has been considering the possibility of taking in a new partner as a minority shareholder in CSWW. The move towards selling the 30 per cent stake to First Boston, rather than going it alone in the U.S., appears to be based on the feeling that an American partner could strengthen U.S. business and possibly also help overcome any legal difficulties which CSWW might face in America.

The statement made on Monday evening with regard to talks with First Boston, even although these are still in progress, was issued in the light of growing rumours as to the identity of a possible new partner.

While the current negotiations are obviously intended by both sides to succeed, there are apparently still some problems to be overcome. It is not known how long the consultations will continue and when the promised "detailed communique" can be issued.

The Zurich branch of First Boston declined to comment on any role foreseen for the existing Swiss operations of the New York bank within the CSWW link-up. First Boston has offices in both Zurich and Geneva.

First Boston resolutely refused yesterday to discuss any of the terms of the emerging agreement with CSWW but there was a strong air of satisfaction at the investment bank's headquarters today. Wall Street has been alive with rumours for several weeks that a number of U.S. brokerage houses were anxious to replace White Weld as the European bank's "window" into the U.S. The name most frequently mentioned as a suitor was Goldman Sachs. But according to one unconfirmed report CSWW preferred to forge an alliance with a publicly quoted U.S. company, which First Boston is, rather than with a partnership like Goldman Sachs.

First Boston officials believe that when the agreement is completed in about two weeks time their company will emerge as the strongest international investment banking firm in the world. In essence they argue that a stake in Credit Suisse will compensate for First Boston's relative lack of strength in the Eurodollar and Deutsche-Mark markets, while in alliance the two companies will be a major force in corporate finance and securities placement and distribution. Moreover, it is pointed out that CSWW will have access to First Boston's eminent list of investment banking clients, and its strong merger, acquisition and project finance group. Lastly it is believed that the two companies' international activities are suitably complementary, with First Boston's strengths in Latin America and Australia not seriously overlapping with CSWW activities.

In its nine overseas offices First Boston employs between 45 and 50 corporate finance specialists and 35 sales professionals. More than 10 per cent of the company's $86.3m revenues came from abroad last year. In common with the other major U.S. securities houses First Boston has put top priority on developing its overseas activities, many of which were grouped together last year in a new company, First Boston International.

There was some speculation on Wall Street as to feelings at Merrill Lynch, which is widely believed to have acquired White Weld because it was attracted by the link with CSWW. Negotiations failed to secure this relationship, and Merrill Lynch may now feel some chagrin at a rival gaining such a valuable foothold in international investment banking

First Boston is typical of the publicly owned U.S. securities companies in that it draws only a small proportion, 15 per cent, of its revenues from brokerage commissions and is much more heavily dependent on underwriting, bond trading and investment banking.

There was some speculation on Wall Street as to feelings at Merrill Lynch, which is widely believed to have acquired White Weld partly because it was attracted by the link with CSWW. Negotiations failed to secure this relationship and the European bank exercised its option to buy out Merrill Lynch, which may now feel some chagrin at a rival gaining such a valuable foothold in international investment banking.

Moreover, Merrill Lynch has not been outstandingly successful at retaining the services of White Weld professionals, more than 100 of whom have since moved on to other employers.

Given that part of the deal as it finally emerges involves a takeover by CSWW of First Boston's international operations, a key question is the degree of co-operation which can be built up between CSWW and officials of First Boston in New York.

The extent to which co-operation builds up between CSWW and First Boston International staff would be less important either to CSWW or to First Boston itself. Several of the top international staff of First Boston have recently left, notably Mr. Minos Zombanakis whose resignation was announced a month ago. Mr. Richard Butler, who headed the key Athens office, has since left to join Mr. Zombanakis while at the end of last week Mr. Michael Hamilton, formerly number two in the First Boston (Europe), also resigned.

Minister meets unions in Babcock Spain rescue

BY JIMMY BURNS

MADRID, July 18.

AIN'S Minister for Industry union representatives here lay in an attempt to win them r to a rescue package aimed saving Babcock Wilcox anola, Spain's largest proer of capital equipment.

bout 1,000 workers yesterday ged a peaceful demonstration side the offices of the civil ernor in Bilbao, in an arent attempt to draw some ification from the governnt on the rescue operation.

he plan, agreed in principle month, involves an injection Pta 5bn ($65m) and a one-reduction in the company's 0-strong workforce.

fficials close to the negotias were to-day confident that differences with the workers council would be bridged. Both government and unions concur in regarding yesterday's agreement on the restructuring of the shipbuilding sector as a major breakthrough in industrial relations here, and that it will act as a precedent for the eventual solution to Babcock's difficulties.

The feeling today is that all the parties involved, including the unions, will eventually agree to the introduction of a system of rotating lay-offs rather than a drastic cut in the labour force at Babcock. At the same time the government will issue some form of guarantee of alternative employment for those 1,000 workers who will be permanently laid off.

EDIUM-TERM CREDITS

$60m loan for Algeria

BY FRANCIS GHILES

he Algerian Office National Materiel Hydraulique MH) is raising $60m for t years. The borrower, ch has provided a guarantee n Crédit Populaire d'Algérie, pay a spread of $1\frac{5}{8}$ per cent r Libor so long as the loan not been completely drawn, a similar spread thereafter t this time over three or six ith Libor), at the borrower's on.

e loan agreement includes optional refinancing clause. y days before each of the three repayments, ONMH ask for the refinancing of of them for a further two s. These new facilities will evidenced by promissory s. The banks involved in the could refuse to participate, the co-lead managers, and bank running the books, runion, would help the borer on a "best effort" basis. e new facilities will carry same conditions on the main

e next loan for Sonatrach, about $250m, will be of parlar interest as it will repre- the first major financial age for the LNG3 gas liqueon complex due to be built gside LNG1 and LNG2 in w.

cieta Italiana per l'Esercizio fonico is raising $30m for t years with a two year e period and a spread of r cent throughout. The loan, h is being arranged by e Manhattan Ltd, will be anteed by Italy's State telephone company, STET.

The Development Bank of the Philippines is raising Y10bn in a two tranche loan through a group of banks led by Bank of Tokyo. The first tranche, which amounts to Y6bn, carries a maturity of 15¼ years, a grace period of five years and a fixed interest rate of 7.9 per cent.

The second tranche carries a maturity of 15 years, a grace period of three years and an interest rate of 7.8 per cent.

The Ivory Coast is raising its first Yen denominated loan: $5bn for seven years with three years grace. The interest rate, which is fixed, is 7.9 per cent. Lead manager is the Bank of Tokyo.

The same bank has just arranged a DM87.7m five year loan with three and a half years grace for the Republic of Vietnam. The rate of interest on this loan, which is undisclosed, is understood to be similar to that on other recent loans extended by Japanese banks to this borrower. As in previous transactions, there is a guarantee from the State Bank of Vietnam.

The Electricity Generating Board of Thailand is raising $60m for 10 years with four years grace on a spread of 1 per cent throughout. The borrower is absorbing some of the Thai taxes, which means that the real cost to the borrower is lower than the spread suggests. Joint lead managers of this loan are Manufacturers Hanover Trust, Lloyds Bank International and Continental Illinois.

INTL. FINANCIAL AND COMPANY NEWS

HONG KONG BANKING

China makes its presence felt

BY MELINDA LIU IN HONG KONG

THE BANK OF CHINA and the 12 other Chinese foreign exchange banks in Hong Kong have been encouraged by Peking in recent months to offer the same services as other financial institutions in the Colony.

Peking's financiers have, however, quietly carried out most normal banking functions for at least a year. The Bank of China (BOC) and one of its sister banks, Nanyang Commercial, are currently backing two local companies in a multi-million dollar real estate development on a profit-sharing basis with the Hong Kong Mass Transit Railway Corporation.

Last year, the Kingcheng and China State banks, along with the Peking-controlled retailer, China products, acquired prime property in Hong Kong's business districts at an estimated value of HK$200m.

In another property deal, on July 11 it was reported that Peking's New China news agency had purchased a 23-storey hotel here for HK$ 72m.

Yet another Chinese bank, Po Sang, has earned a reputation for its dealing in the Hong Kong bullion market. Peking's transactions in gold, handled mostly through the BOC's London branch, included last year's sale of 80 tons following the purchase of 60 tons in 1972-73. The BOC also maintains a lively hand in Hong Kong's foreign exchange market, buying an estimated $5m or more per day in hard currencies.

It is also understood to be lending against share purchases and taking shares as collateral against loans as a matter of routine.

Although the lack of China-U.S. diplomatic relations and the unresolved frozen assets issue, arising from both sides, having seized assets totalling US$250m in the 1950s, have thrown a chill over home financial business between the two countries, they have not prevented the Bank of China from carrying on foreign exchange and money market transactions with U.S. banks. Nanyang Commercial recently upgraded it activities in this field by placing an interbank deposit for the first time with the Bank of America in Hong Kong to the tune of HK$ 5m.

Peking's financiers have quietly carried out most normal banking functions for at least a year. Although China's foreign exchange banks function essentially as state-owned enterprises, the civil law ratification of joint state-private ownership came in the early 1960s, five years after the effective elimination of joint ownership in other economic sectors. Against this background, the China-incorporated banks find it ideologically acceptable to submit their overseas branches to foreign laws—something that China might find harder to swallow if applied to wholly state-owned enterprises

In addition, Peking's investments here include an array of insurance companies, investment companies dealing in land and buildings, wholesale and retail outlets, warehouses and cold storage plants, industrial firms and shipping and transport agencies.

Peking's interest in stock market transactions was made plain as long ago as last October. At that time an announcement appeared outside branches of the People's Bank of China (China's central bank) which handles foreign exchange business in Canton. The handwritten poster advertised that the foreign services department of the Bank of China "undertakes the following business in Hong Kong, Macau and overseas districts on behalf of individuals and units:

1—Stock market transactions, including purchase, sale and transfer of shares;

2—Collection of dividends;

3—Collection of principal and interest on overseas deposits;

4—Sale of overseas properties and management of overseas inheritances;

5—Handling claims for compensation from injury or death arising from work and traffic accidents;

6—Other miscellaneous services.

Each of the nine China-incorporated foreign exchange banks (as opposed to four Hong Kong-incorporated ones) is technically a joint state-private enterprise—defined by a 1954 regulation as "an industrial enterprise with investments made by the state or by other public-private jointly operated enterprises, which is jointly operated by capitalists and cadres assigned by the state."

Although China's foreign exchange banks function essentially as state-owned enterprises, the civil law ratification of joint state-private ownership in the foreign exchange sector came in the early 1960s, five years after the effective elimination of joint ownership in other economic sectors.

Against this background, the China-incorporated banks find it ideologically acceptable to submit their overseas branches to foreign laws—something that some observers suggest China would find much harder to swallow if applied to wholly state-owned enterprises.

The overseas branches of China-incorporated banks are authorised to "engage in all kinds of banking business permitted by local laws and regulations."

The majority of shares in three of Peking's four Hong Kong-incorporated banks are held by residents of China, many of whom are appointees of the People's Bank of China. These banks are technically private limited companies with articles and memoranda of association drawn up in accordance with British commercial law.

The portrait of a private shareholder in the China-incorporated banks is predictably vague. The banks' articles of association merely stipulate that the shareholders must be either Chinese citizens or Chinese "nationals." In the larger banks they are understood to be high officials connected with trade and finance.

In smaller banks, a number seem to be relatively unknown Chinese residents, some of whom list addresses in overseas Chinese settlements in either Shanghai or Canton, and reportedly travel frequently to and from their southeast Asian communities.

Growth at Japanese car makers

TOKYO, July 18.

TOYOTA MOTOR Company, Japan's leading car maker, expects to report sales for the year to June 30 of Y2.6 trillion (million million), equivalent to some $12.8bn. This represents an increase of 13.5 per cent on the Y2.29 trillion of the previous financial year, and is slightly higher than an earlier forecast of Y2.55 trillion.

The company said that it appeared to have maintained net profits at the Y116.78bn ($573m) level recorded in 1976-77.

As reported last week, Toyota has raised its production and sales target for the current year to 2.91m units from an original 2.88m, because of an improvement in domestic sales, which are expected to reach 1.48m, against the 1.43m earlier foreseen.

At the same time, Nissan Motor, the second largest car maker in Japan, has forecast that profits before tax and special items for the half-year to September will be higher than the Y65.52bn for the six months to March—following declines in profits in the two previous half-years.

Domestic sales are expected to rise to more than 570,000 units from 530,000 in the preceding six months.

Because of the higher domestic sales, the company said that it plans to increase vehicle production in the period to 1.19m units from an initial target of 1.16m. This will result in lower production costs.

In addition, sales of luxury cars with high added value are rising faster than sales of low-priced popular models, helping to increase profitability, according to the company.

Exports in the first half year, however, are expected to fall to about 620,000 from 700,000 in the preceding six months, mainly because of the government policy of restricting total vehicle exports in fiscal 1978, ending next March, to within the fiscal 1977 level of 4.62m.

Nissan was unable to forecast second half results because of the uncertain foreign exchange market outlook.

Vehicle production in the January-June period of this year rose 11.3 per cent to 1.20m units from the same period of last year, while domestic sales rose 4.2 per cent to 542,000 and exports increased 21.2 per cent to 666,500.

* * *

SHIONOGI and Co., the major Japanese pharmaceutical company in Japan, has announced that its consolidated based net profit for the fiscal year ended March 31 was some Y6.33bn ($31.18m) on sales of Y136.218bn ($671.17m).

Consolidated subsidiaries include Osaka Pharmaceutical Company, Takada Pharmaceutical Company, Toei Pharmaceutical Company and Omori Pharmaceutical Company.

Shionogi forecast its consolidated net profit for the year ending next March at Y6.53bn on sales of Y113bn.

* * *

CITIZEN WATCH COMPANY—one of the leading watch manufacturers in Japan—has reported consolidated net income for the year to March 31 of Y3.86bn ($19m), on sales of Y126.40bn ($623m). The figures are the first released by the company on a consolidated basis.

Agencies

Bundaberg Sugar setback

By Our Own Correspondent

SYDNEY, July 18.

QUEENSLAND sugar producer, Bundaberg Sugar Company suffered a 44 per cent fall in earnings, from A$10.5m to A$5.9m (U.S.$6.8m) in the year to April 30. The lower profit reflects the fall in world prices for sugar. The directors had previously forecast that earnings would be significantly lower for the year.

Bundaberg's experience is broadly similar to that of other major sugar producers. Pioneer Sugar recorded a decrease of 78 per cent to A$1.3m, while the industry leader, CSR, earned 8 per cent less, at A$14m, from its sugar division.

Average sugar prices dipped 15.7 per cent to A$185.41 a tonne, Bundaberg reported, though production of sugar rose slightly.

The dividend is held at 30 cents a share despite the reduced profit, and is covered by earnings of 48.7 cents a share compared with 86.6 cents in 1976-77.

Wesfarmers in CSBP move

BY JAMES FORTH

SYDNEY, July 18.

WESTRALIAN FARMERS Co-operative (Wesfarmers) has made an offer of A$17m for the remainder of the capital of Cuming Smith—seven months after gaining control of just over 50 per cent of the equity in a market raid. The prospect of a bid for the remaining shares was delayed by a court action taken by Smith directors, alleging breaches of the Companies Act in the raid. The court recently rejected the Smith case.

Wesfarmers is offering A$2.40 cash for each Smith share, which is equivalent to the highest price paid in the market raid, after allowing for a recent dividend payment by Smith of 6 cents a share. The offer is conditional on the Trade Practices Commission (TPC) approving an application by Wesfarmers to obtain control of CSBP and Farmers, the sole manufacturer of fertiliser in Western Australia.

Wesfarmers' primary aim has been to gain control of CSBP in order to enable the co-operative to increase fertiliser rebates to its members. CSBP is owned equally by British Petroleum Company of Australia, Cuming Smith and Westralian Farmers Superphosphate (WFS), a company which has close links with Wesfarmers. WFS has agreed to sell its stake in CSBP to Wesfarmers subject to TPC approval.

If the TPC rejects Wesfarmers' application the co-operative could end up with an equity of only one-sixth of CSBP, through its existing holding of about 50 per cent of the capital of Smith. However, by the end of the month Wesfarmers is likely to be in a position to achieve control of CSBP—regardless of its equity stake. The CSBP Board at present has seven directors: Smith, BP and WFS each have two representatives, and the seventh is an executive of CSBP.

The annual meeting of Smith will be held on July 26, and it has already been announced that several of the Board will stand down. Wesfarmers intends to elect four directors, which will give it control of the seven-man board. It will also give the co-operative control of Smith's two-man representation on the CSBP Board.

Wesfarmers is already entitled to appoint the chairman of WFS and that person is entitled to be one of the two WFS representatives on the CSBP Board. This gives the co-operative three of the seven CSBP directors. The other WFS representative is a former general manager of Wesfarmers and is on the boards of both Wesfarmers and BP. Six of the seven WFS directors are also directors of Wesfarmers while the seventh is an executive of the co-operative. As both WFS and Wesfarmers represent farmer interests they are unlikely to disagree over the running of CSBP.

Oil palm plan in Johore

By Wong Sulong

KUALA LUMPUR, July 18.

CONSOLIDATED PLANTATIONS, the Sime Darby subsidiary, has entered into an agreement with a Malay company, Sharikat Hadapan Berhad, to develop 2,800 acres of jungle land in Johore State into an oil palm estate.

Consolidated Plantations will acquire 45 per cent of the joint venture by injecting 1.6m ringgits cash into developing the land, while the Malay company will provide the land.

Sharikat Hadapan Berhad was given 2,800 acres of jungle land at Sedenak by the Johore government in 1974, and it recently approached Consolidated to develop it.

Consolidated Plantations has applied to the Kuala Lumpur Stock Exchange to waive the requirement to hold a shareholders' meeting to approve the project.

It told the KLSE that the London Exchange had given its approval, and that to hold a meeting would be a formidable academic exercise considering the insignificant funds involved.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
[illegible]	[illegible]	[illegible]

NOTES / STERLING BONDS / DM BONDS / CONVERTIBLES / FLOATING RATE NOTES	Bid	Offer
[illegible]	[illegible]	[illegible]

Source: Kidder, Peabody Securities.

CORRECTION NOTICE OF MANDATORY REDEMPTION

The Rural and Industries Bank of Western Australia ("the Bank") A$30,000,000 6½ per cent. Guaranteed A$/DM Bonds due 1987.

Further to the Notice dated July 14, 1978 given in the Financial Times, Notice is hereby given that the following serial numbers of the Bonds have not been drawn for redemption:

10245	15569
25202	25156

The following Bonds are drawn for redemption:

12045	15489
25202	29156

Holders of the Bonds drawn for redemption are referred to the Notice dated July 14, 1978.

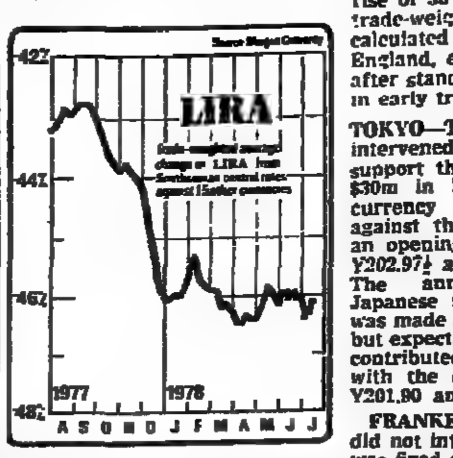
The Rural and Industries Bank of Western Australia
By the National Westminster Bank Limited as Trustee

Currency, Money and Gold Markets

Currencies steady following summit

The foreign exchange market failed to react in any spectacular way to the result of the seven-nation summit meeting in Bonn. The initial reaction was that if the U.S. cuts oil imports, Germany boosts domestic demand, and Japan reduces its trade surplus by increasing imports, this must help the dollar, but that these were long-term goals, having little immediate benefit.

Actions will speak louder than words as far as the market is concerned, and although many goals have been set, it remains to be seen how performances will measure up.



Little encouragement was gained from Japan's trade figures for June, showing a surplus of $2.376bn compared with a surplus of $632m in May. This pushed the Japanese yen to a best level of Y201.70 against the dollar, before a general improvement by the U.S. currency moved the yen to a low point of Y203, before it closed at Y202.50, compared with Y203.40 previously.

The dollar finished fairly close to the previous night's levels against most other currencies, and was generally slightly below its best point of the day. Against the Swiss franc the dollar rose to SwFr 1.8340, before closing at SwFr 1.8297½, compared with SwFr 1.8310 on Monday. In terms of the German D-mark the U.S. currency touched DM 2.07, and closed at DM 2.0670, compared with DM 2.0695 previously. The French franc showed a similar movement, with the dollar rising to FFr 4.4770, before closing at FFr 4.4675, against FFr 4.4795 on Monday.

The dollar's trade-weighted depreciation on Morgan Guaranty figures, was unchanged at 7.5 per cent.

Sterling opened at $1.8855-1.8865, and touched $1.8890-1.8900, before easing to $1.8815-1.8825 by mid-afternoon as the dollar improved. Demand from New York helped push the pound to a closing level of $1.8830-1.8840, a rise of 35 points on the day. Its trade-weighted index, as calculated by the Bank of England, eased to 62.0 from 62.1, after standing at 62.1 at noon and in early trading.

TOKYO—The Bank of Japan intervened in a small way to support the dollar, buying about $30m in late trading. The U.S. currency closed at Y202.17½ against the Yen, compared with an opening level of Y203.50, and Y202.97½ at the close on Monday. The announcement of the Japanese trade figures for June was made after the market closed, but expectations of a large surplus contributed to erratic late trading, with the dollar moving between Y201.90 and Y202.30.

FRANKFURT—The Bundesbank did not intervene when the dollar was fixed at DM 2.0651, compared with DM 2.0601 on Monday, and DM 2.0610 in early trading. The dollar continued to improve after lunch, climbing above DM 2.07, before falling back to DM 2.0660 in nervous late dealings.

PARIS—The dollar lost ground on the day against the French franc in light trading, closing at FFr 4.4690, compared with FFr 4.4785 on Monday. It improved from an early morning level of FFr 4.4620, however, touching FFr 4.4710 in mid-afternoon.

ZURICH—There was little reaction to the results of the Bonn summit, although the dollar tended to improve from its opening weak levels.

AMSTERDAM—In late trading the dollar improved in terms of the guilder to Fl 2.2315 from a fixing level of Fl 2.2270, and an early morning level of Fl 2.2280.

MILAN—In the afternoon the dollar stood at L848.80 against the lira, compared with a fixing of L848.70.

THE POUND SPOT

July 18	Bank rate %	Day's spread	Close
U.S. $	[illegible]	1.8815-1.8900	1.8830-1.8840
Canadian $	[illegible]	[illegible]	[illegible]
Guilder	4½	4.19-4.21¼	4.18½-4.20½
Belgian Fr	5½	61.20-61.45	61.30-61.40
Danish Kr	8	10.55-10.65	10.61-10.62
D-Mark	3	3.88½-3.91½	3.89-3.90
Port. Esc.	18	[illegible]	[illegible]
Span. Pes.	8	145.85-146.50	[illegible]
Lira	11½	[illegible]	[illegible]
Nrwgn. Kr	7	[illegible]	[illegible]
French Fr	9½	8.39½-8.45½	8.41-8.42
Swedish Kr	6½	[illegible]	[illegible]
Yen	3½	378-383	380-381
Austria Sch	4½	[illegible]	[illegible]
Swiss Fr	1	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 62.20-62.30.

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Six-month forward dollar 2.47-2.37c pm; 12-month 4.80-4.70c pm.

THE DOLLAR-SPOT

July 18	Day's spread	Close
Canad'n $*	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]
Port Es	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Nrwgn. Kr	[illegible]	[illegible]
French Fr	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]

* U.S. cents per Canadian $.

FORWARD AGAINST $

	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

July 18	Special Drawing Rights	European Unit of Account
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	251.755	253.544
Norwegian kroner	6.74958	6.78667
Peseta	96.5862	97.0090
Swedish kroner	5.67072	5.69945
Swiss franc	2.27414	2.28581

CURRENCY MOVEMENTS

July 18	Bank of England Index	Morgan Guaranty changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	56.48	−46.1
Yen	146.10	+44.4

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

July 18	£	$		£ Notes Rate
Argentina Peso	1,497 1,501	794.80 796.92	Austria	27¼-28¼
Australia Dollar	1.6415 1.6465	0.8711 0.8722	Belgium	61⅛ 63
Finland Markka	7.92 7.94	4.2090-4.2110	Denmark	10.55 10.70
Brazil Cruzeiro	33.35 34.35	17.71 18.24	France	8.35-8.50
Greece Drachma	68.384 70.070	36.31 37.20	Germany	3.80-3.95
Hong Kong Dollar	8.77-8.80	4.6530-4.6550	Italy	1580-1610
Iran Rial	130-136	69.02-72.21	Japan	380-390
Kuwait Dinar (KD)	0.511 0.521	0.2716-0.2766	Netherlands	4.10-4.25
Luxembourg Franc	61.30 61.40	32.56-32.58	Norway	10.15 10.30
Malaysia Dollar	4.45-4.4650	2.3645-2.3655	Portugal	81-87
New Zealand Dollar	1.8170 1.8230	0.9638-0.9662	Spain	1,465-1,485
Saudi Arabia Riyal	6.42 6.52	3.41-3.46	Switzerland	3.35-3.50
Singapore Dollar	4.3450-4.3600	2.3055-2.3075	United States	1.85-69½
South African Rand	1.6265-1.6455	0.8646-0.8736	Yugoslavia	34-36

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

July 18	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.884	3.895	382.0	8.416	3.450	4.203	1598.	2.119	61.35
U.S. Dollar	0.531	1.	2.068	202.8	4.468	1.832	2.231	848.4	1.125	32.57
Deutsche Mark	0.257	0.484	1.	98.07	2.160	0.886	1.079	410.3	0.544	15.75
Japanese Yen 1,000	2.618	4.931	10.20	1000.	22.03	9.031	11.00	4183	5.546	160.6
French Franc 10	1.188	2.238	4.629	454.0	10.	4.101	4.994	1899	2.518	72.91
Swiss Franc	0.290	0.546	1.129	110.7	2.439	1.	1.218	463.2	0.614	17.78
Dutch Guilder	0.238	0.448	0.927	90.90	2.002	0.821	1.	380.2	0.504	14.60
Italian Lira 1,000	0.626	1.179	2.437	239.0	5.266	2.159	2.630	1000.	1.326	38.39
Canadian Dollar	0.472	0.889	1.839	180.3	3.972	1.629	1.984	754.2	1.	28.96
Belgian Franc 100	1.630	3.070	6.349	622.7	13.72	5.624	6.851	2605	3.453	100.

EURO-CURRENCY INTEREST RATES*

July 18	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	14-15	7¼-8¼	7¾-8	4½-4¾	[illegible]	[illegible]	8¼-8½	[illegible]	—	—
7 days' notice	11-11¾	7¼-8¼	7⅞-8⅛	4½-4¾	2⅝-2⅞	[illegible]	[illegible]	10⅛-11⅛	7⅞-8⅛	2⅛-2⅜
Month	11¼-11¾	[illegible]	[illegible]	4⅝-4⅞	[illegible]	[illegible]	9⅝-9⅞	11⅛-12⅛	[illegible]	[illegible]
Three months	11¼-11¾	8-8⅜	[illegible]	5¼-5½	[illegible]	[illegible]	[illegible]	12⅛-13⅛	[illegible]	[illegible]
Six months	11⅝-12⅛	[illegible]	9-9⅛	6-6¼	[illegible]	[illegible]	[illegible]	13⅛-14⅛	9-9¼	[illegible]
One year	12-12⅜	[illegible]	9⅛-9⅜	6⅛-6⅜	[illegible]	[illegible]	10⅞-11⅛	14-15	[illegible]	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.10-8.20 per cent; three months 8.45-8.55 per cent; six months 8.90-9.00 per cent; one year 9.00-9.10 per cent.

Long-term Eurodollar deposits: two years 9¼-9½ per cent; three years 9⅜-9⅝ per cent; four years 9½-9¾ per cent; five years 9½-9¾ per cent. * Rates are nominal closing rates.

Short term rates are call for sterling, U.S. dollars and Canadian dollars; two-days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Less pressure on Belgian rates

The rate on Belgian four-month bond-fund papers was unchanged at 6.25 per cent at yesterday's auction and there now seems to be a strong feeling that the Central Bank Board will not alter the official discount and Lombard rates (both at 5½ per cent) at today's meeting. Market projections were reinforced when one-, two- and three-month Treasury certificates were also left unchanged.

Although the Belgian franc remained the weakest member of the European currency "snake," it stayed above its lowest permitted level against the West German mark. This showed some improvement over Monday's performance when the floor level was actually breached.

Deposit rates for the Belgian franc (commercial) showed very little change with all periods the same as Monday except for three-month deposits which rose to 6-6½ per cent from 5¾-5⅞ per cent. Call money in Brussels was sharply down at 3 per cent compared with 4.65 per cent previously.

NEW YORK—Treasury bills were quoted at 7.11 per cent compared with an average 7.113 per cent at Monday's auction. Twenty-six-week bills were 7.49 per cent from 7.497 per cent while one-year bills were unchanged at 7.80 per cent.

Bankers accepted offered rates were quoted at 7.80 per cent for 30-days, 7.90 per cent for 60-days, 8 per cent 90-days, 8.1 per cent for 120-days, 8.15 per cent for 150-days and 8.20 per cent for 180-days. High grade commercial paper showed little change with 30-days at 7.85 per cent through to 7.95 per cent for 90-days. One-month certificates of deposit were slightly easier at 7.85 per cent from 7.87 per cent while two-month was unchanged at 8 per cent. Three-month rates fell a little to 8.15 per cent against 8.18 per cent.

AMSTERDAM—Call money was easier at 4½-4¾ per cent compared with 4¾-5 per cent. The rate for one-month interbank money rose from 4¾-5 per cent to 5-5½ per cent while three-month funds were also firmer at 5⅛-5⅜ per cent against 5⅛-5¼ per cent. Six-month money was slightly up at 6⅛-6⅜ per cent from 6⅛-6¼ per cent.

FRANKFURT—Interbank money market rates were unchanged from 3.55 per cent for call money to 4.05 per cent for six-month.

PARIS—Day-to-day money was 7¼ per cent against 7⅜ per cent previously. Longer term rates were unchanged from 7⅜-7½ per cent for the one-month through to 8⅜-8½ per cent for the one-year.

HONG KONG—Conditions in the money market were fairly easy with call money at 5½ per cent and overnight business at 4¾ per cent.

MANILA—Philippine money market rates showed no change from the previous day's levels.

GOLD

Quiet trading

Gold rose $½ to $184¾-185¼ in quiet trading. It opened at $185½-186, and was fixed at $185.40 in the morning. The metal declined to $184.85 at the afternoon fixing, and touched a low point $184½-185, before finishing around the expected level of bids at the U.S. gold auction.

In Paris the 12½ kilo gold bar was fixed at FFr26,850 per kilo ($186.95 per ounce) in the afternoon, compared with FFr26,950 per kilo ($187.68) in the morning, and FFr26,900 ($186.94) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM12,300 per kilo ($185.34 per ounce), compared with DM12,280 ($185.51) previously.

	July 18	July 17
Gold Bullion (a fine ounce)		
Close	$184¾-185¼	$184¼-184¾
Opening	$185½-186	$185-185½
Morning fixing	$185.40 (£98.282)	$185.15 (£97.989)
Afternoon fixing	$184.85 (£98.147)	$185.15 (£98.144)
Gold Coins domestically		
Krugerrand	$194-196 (£103-104)	$193½-195½ (£103-104)
New Sovereigns	$55½-57½ (£29½-30½)	$55¼-57¼ (£29¼-30¼)
Old Sovereigns	$54½-56½ (£29-30)	$54¼-56¼ (£29-30)
Gold Coins internationally		
Krugerrand	$190¾-192¾ (£101¼-102¼)	$190½-192½ (£101¼-102¼)
New Sovereigns	$53½-55½ (£28½-29½)	$53¼-55¼ (£28¼-29¼)
Old Sovereigns	$54½-56½ (£29-30)	$54¼-56¼ (£29-30)
$20 Eagles	$276¼-278	$276-278¼
$10 Eagles	$138-145	$138-145
$5 Eagles	$88-104	$88-103

UK MONEY MARKET

Further exceptional help

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Day-to-day credit continued to be in very short supply in the London money market yesterday and the authorities intervened on an exceptional scale. They bought a small amount of Treasury bills, large numbers of eligible bank bills and a small amount of local authority bills. Total buying was termed as large and some of these bills are for resale to the market at a fixed future date. The authorities also lent an extremely large amount at MLR to 10 or 11 houses over two days and a similar sum over three days. Total assistance was somewhat overdone and discount houses were paying between 8-8½ per cent for secured call loans at the close. With today being published figure day for the banks and a sizeable surplus being brought forward, discount houses should find conditions a little more comfortable.

The market was faced with a sizeable increase in the note circulation and banks bringing forward run down balances. There was also a further call on the Treasury long "tap" and the repayment of Monday's extremely large market advances. On the other hand there was a small number of Treasury bills maturing outside official hands and Government disbursements exceeded revenue transfers to the Exchequer.

In the interbank market overnight loans opened at 10¾-10⅞ per cent and rose on the official forecast to 11½-11¾ per cent. Around noon rates briefly touched 11¾-12 per cent but soon eased during the afternoon to 8-9 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

July 18 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ϕ	Eligible Bank Bills ϕ	Fine Trade Bills ϕ
Overnight	—	8-12	—	—	—	10¼-12	8-10	—	—	—
2 days notice	—	—	10⅛-10¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	11	—	—	—	—
7 days notice	—	10⅛-11⅛	10¾-10⅞	—	11⅛	—	9⅞-10	—	—	—
One month	10⅝-10½	10¼-10½	10¼-10⅝	10¼-10	11⅛	10¾	9¾	9⅛-9¼	10¼-10¼	10½
Two months	10¼-10⅛	10¼-10⅛	—	10-9⅞	11	—	9½	9⅛-9¼	9¾-10	10½
Three months	10⅛-10⅛	10⅛-10⅝	9⅞-10	9⅞-9⅞	10⅞	—	9½	9¼-9⅜	9⅞-9⅞	10⅜
Six months	10⅛-10⅛	10⅛-10⅛	10-10¼	9⅝-9⅞	11	—	—	—	9⅞-9¾	10¾
Nine months	10¼-10⅛	10⅛-10⅛	—	10¼-9⅞	11	—	—	—	—	—
One year	10¼-10⅛	10⅝-10⅛	10-10½	10¼-10	11	—	—	—	—	—
Two years	—	—	11-11⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rate nominally three years 11⅛-11¾ per cent; four years 11¾-12¼ per cent; five years 12¼-12¾ per cent. ϕ Bank bill rates in table are buying rate for prime paper. Buying rates for four-month bank bills 9⅞-9[illegible] per cent; four-month trade bills 10½ per cent.

Approximate selling rates for one-month Treasury bills 9[illegible] per cent; two-month 9[illegible] per cent; and three-month 9[illegible] per cent. Approximate selling rate for one-month bank bills 9[illegible]-10 per cent; and two-month 9[illegible] per cent; and three-month 9[illegible] per cent. One-month trade bills 10½ per cent; two-month 10½ per cent; and also three-month 10½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10 per cent from July 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6½-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.3446 per cent.

MONEY RATES

NEW YORK

Prime Rate	9
Fed Funds	7.875
Treasury Bills (13-week)	7.11
Treasury Bills (26-week)	7.49

GERMANY

Discount Rate	3
Overnight	3.55
One month	3.6
Three months	3.7
Six months	4.05

FRANCE

Discount Rate	9.5
Overnight	7.5
One month	7.4375
Three months	7.625
Six months	8.3125

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.5
Bills Discount Rate	4.375

FINANCIAL TIMES SURVEY

Wednesday July 19 1978

Computer Finance and Leasing

Computers are expensive, and for small and medium-size businesses the cost of outright purchase can be prohibitive. Nowadays, however, there are several means by which companies can obtain the desired facility—either through hiring or leasing, or through second-hand buying, or a mix of both.

Making the right choice

By Ted Schoeters

DECIDING HOW to finance a new computer installation, or equipment to work with an existing one, in the view of many observers is more difficult than selecting the right computer. Given that the area of choice, not only of which machines to use but also of how to use them, is widening day by day the decision would seem virtually impossible to arrive at with any degree of conviction that the outcome will be the right one for the company involved.

But there are a number of guidelines that can be followed with some assurance that they will point the decision makers in the right direction. They are applicable particularly to companies in the small to medium bracket who have little or no idea of how to go about the acquisition and use of what often is—for them—a major piece of capital equipment.

Possibly the most important of the questions that should be asked is whether the installation contemplated is likely to have to be expanded quickly, or extensively, in a year or so. A significant corollary is whether those responsible for the acquisition have sought to discover—preferably from sources other than the prospective supplier—how long it will be before the preferred equipment is likely to become obsolete.

The next question to be asked is whether the accounts department, or the accountant, has prepared comparisons between leasing and rental costs, assuming that outright purchase is rejected, and has sought proposals from one or more leasing companies. The accountant will have taken note of the possible tax advantages while studying the above.

It is interesting that in this particularly crucial area, there is relatively little financial advice to be obtained anywhere. The National Computing Centre has kept well away from the topic and consultants generally seem to take the view that their task ends when they have guided a client to the right choice of machine and systems.

The potential user is thus largely on his own with little to go on other than friendly advice from people who have themselves been through the mill — and preferably with equipment of the general type and cost contemplated.

Even where a company can afford to buy a machine outright it is not always advisable to do so. Some of the manufacturers have not been as helpful as they should to users of the smaller machines even when the latter depend entirely on these for their livelihood, as in the case of bureau installations.

At the same time there has been a tendency to allow machine improvements to slide past such installations and the supplier does not necessarily have to provide major modifications, even when they have been introduced on a new mark of the same machine.

Service costs can be increased almost as the supplier decides, and there is relatively little the user organisations can do about it—with some notable exceptions where the Price Commission was led to intervene.

Of course, outright purchase means a user can run his machine 24 hours a day if required and a supplier cannot apply extra charges of any kind, except in maintenance.

Purchasing

Current and predicted interest rates play an important role in the purchasing decision. But after the bank rate switch-back of the past few years, this is no easy forecasting area.

Capital equipment tax relief is a primary consideration, as is the flexibility of amortisation, and finally the residual value the machine might have — non-existent in some other methods of financing. All these considerations apply to hire-purchase with the initially much lighter burden but heavily weighted repayments this implies.

Rental from the supplier, which is the most common method in Britain, seems to have been entered into by some users in the mistaken belief that the 90-day removal clause has a major effect on the maker. It would be very difficult, not to say impossible, to select alternative equipment and have it programmed and ready to take over the workload when the machinery from the offending source is wheeled out.

Operating rented machines has a number of trammels, the most onerous of which must be that any overstepping of what has been called "normal working hours" i.e. eight hours a day over a 27-day period, involves escalating costs.

Relatively high in cost, renting is justifiable for short-time use because of the consequent limiting of financial liabilities. Its current main attraction, however, is the freedom it is giving users to take exactly what they want in the way of equipment from several suppliers and match the final assembly closely to their needs. At the same time they benefit from what are frequently much lower charges levied by suppliers of peripheral equipment who for some 10 years have been competing strongly with the big machine builders, and especially IBM.

Two forms of leasing commonly applied are finance leasing and operating or risk leasing. The first is simple. Under it a commitment is made to lease the equipment for a number of years at a specified monthly charge. At the end of the period, while the machine still is the property of the lessor, the user has the possibility of retaining it at a reduced charge. Typically six years are required for leasing companies to show profit on central processors and three years on peripherals and associated units.

Operating / risk leases generally run for shorter periods than the first recognising that users might want to change machines earlier than such arrangements allow for. Typically they are of three years with pricing ratios of the order of 1-72nd of the total equipment costs per month. Savings of some 20 per cent can often be demonstrated for this form of financing and users frequently take advantage of this by acquiring a correspondingly more powerful machine.

Because of the support IBM continues to supply for "second user" machines that company represents the major leasing market. But this enlightened approach can sometimes result in the gentle giant's virtual elimination from a site, particularly when this is one run by a data processing manager with enough expertise to select a mix of equipment from among currently very attractive offerings, and to pursue a path of development that would not have been possible with the original equipment, or only at far greater cost.

Doubled

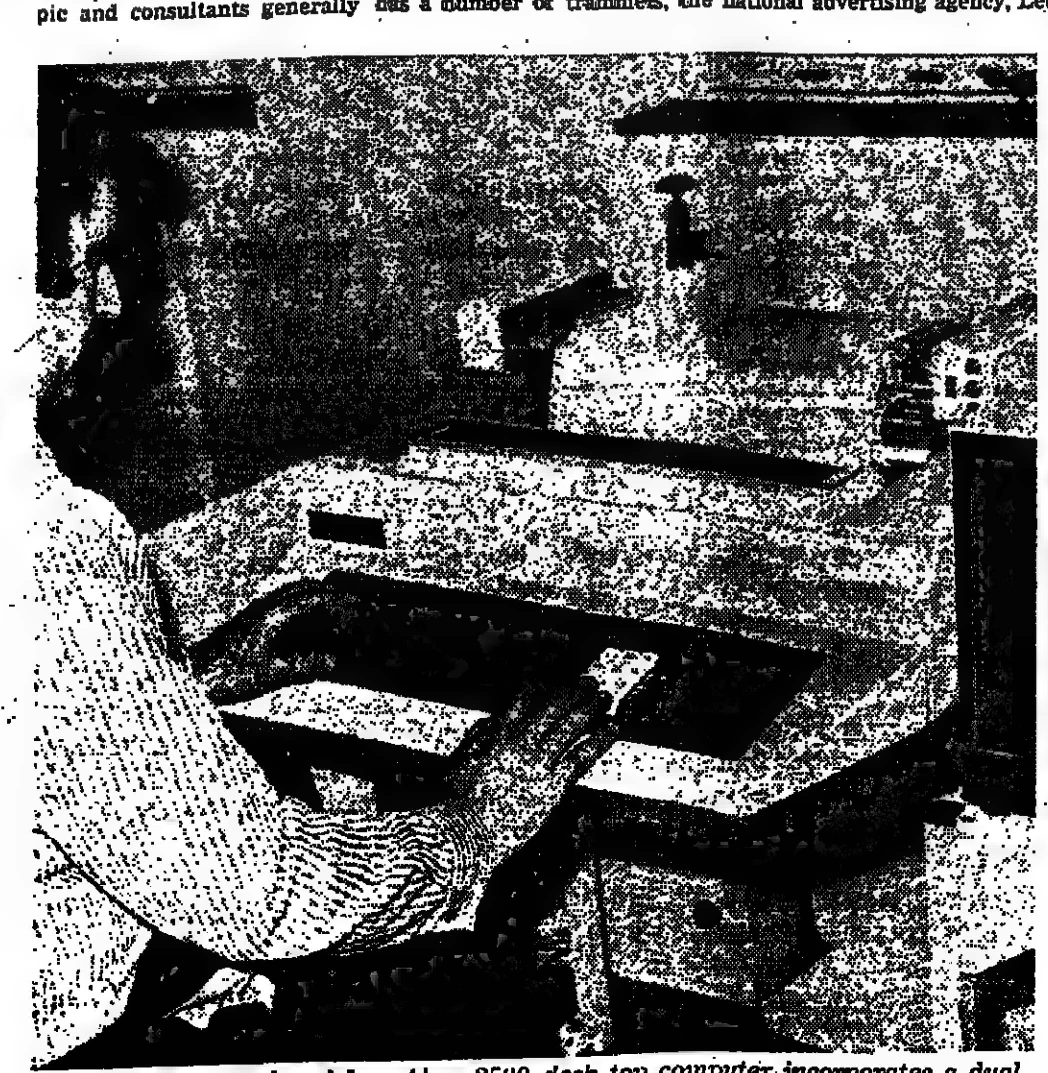
A case in point is the international advertising agency, Leo Burnett, in London. There, for a budget reduced by £5,000 between 1975 and 1978, computer power has about doubled, roughly speaking, and the way has been opened for the development of much more ambitious and effective computing methods.

The way this was done was to exchange the original rented IBM 370/115 with a second-user leased machine of the same type from Promodata, but one with almost double the storage. At the same time, IBM disc drives were replaced by slightly faster but considerably cheaper to operate units from BASF and the number doubled to four. Terminals and a controller were supplied by ITT Business Systems and at the end of the day the only IBM rented equipment left was a pair of key-punches.

With such possibilities constantly in mind it is hardly surprising that IBM's less affluent rivals have shown little enthusiasm for second-hand machines in the past and have openly discouraged users from allowing external companies to make modifications to installed machines, even when the latter companies were perfectly qualified to do the work and could demonstrate major improvements as a result.

One major consideration affecting newcomers is that leasing companies will not waste their resources on doubtful machines. At the same time, any problem with a new installation remains theirs (the lessors') till sorted out. And lessors are powerful enough to speak effectively to the manufacturer, who has to listen since a large proportion of his business now comes from leasing contracts. The only problem is that separate service agreements are generally needed.

Having said all that, and underlining the fact that at least two competing leasing quotations should be obtained, it is still the responsibility of the user to determine clearly what is required and when. The cheapest solution is not always the best and too much of a company operation can be put at risk by a bad choice. Nevertheless, bad choices are still being made all the time, as a glance at any professional publication will show.



The recently introduced Log Abax 2500 desk top computer incorporates a dual floppy disc unit and 16K memory.

Still room for the independents

IN AN industry so overwhelmingly dominated by one company as the computer industry is by IBM it is inevitable that most of the developing trends begin in IBM installations and many go no further.

When computer users talk of *plug-compatible equipment* they almost always mean IBM plug-compatible hardware—i.e., memory, disc drives, tape drives, printers and terminals designed specifically to be attached to an IBM mainframe computer. Most plug-compatible peripherals offer performance similar to the IBM device, *which has been copied*, but at a much lower price. Where competition is intense, as in the display terminals field, plug-compatible manufacturers have to offer not only a very competitive price but a product which offers several features which are superior to those of the original IBM device.

At first sight simply to copy a product made by another company and offer it at a lower price seems an unsatisfactory basis for building a business but peripheral manufacturers have no alternative except to win a major part of their business from IBM users. Most of the other mainframe manufacturers do not build a full range of peripherals themselves and therefore are potential customers for products made by outside companies. But few of those other manufacturers do enough business worldwide to provide a specialist peripheral manufacturer with an adequate outlet for his products. IBM does not need to buy in peripherals: it has the capability to build all it needs in-house.

Yet only the IBM user base is large enough to offer the specialist peripheral manufacturer sufficient scope for growth, and thus it is that companies like Memorex, Telex, ITT Business Systems and Storage Technology Corp have grown fat by selling their add-on memory and peripherals into the IBM user base.

Today every new announcement from IBM is quickly followed by announcements from the plug-compatible manufacturers. Storage Technology has just announced add-on memory for the 3030 series and Control Data has set up a complete new subsidiary which will do nothing but market disc drives, printers and terminals designed for use with the IBM Series 1 minicomputer.

Installations like the one on which British Airways runs its BABS reservation system are becoming more and more typical. *Although the main*frame computers are 370/168s from IBM, they have additional main memory from Memorex, the disc drives come from Itel, terminals from Incoterm and Ferranti and printers from Promodata.

The principal drawback of such mixed installations is that if some serious maintenance problem arises, it may be necessary to call in engineers from up to half-dozen different suppliers. Needless to say demarcation disputes can arise, with each engineer blaming the equipment from one of the other suppliers for the failure.

Solution

The easiest solution to this problem is to bring in an independent mainteance operation, and that is what British Airways has done. The company in question is the Australian DPCE (Data Processing Customer Engineering).

British Airways signed a two-year contract with DPCE in 1976 and has just renewed it. The introduction to DPCE came from the Australian national airline Qantas, which works closely with British Airways. Qantas has followed the IBM plug-compatible route to its logical conclusion by replacing its IBM mainframes with two 470V/5 processors from Amdahl.

Amdahl pioneered the IBM plug-compatible CPU, and now offers three different models in its 470 line—the V/5 to compete with the IBM 3032, the V/6 to compete with the 3033 and the V/7, due for first delivery next month, which is more powerful than anything currently available from IBM. The Amdahl machines are not copies of the IBM processors but completely new machines which are capable of running all IBM system and application programs unaltered.

Amdahl only supplies and maintains processors but Itel, wihch started out as a leasing company, is now able to offer customers a near-complete system, including IBM plug-compatible CPU, and a wide range of peripherals, all manufactured for it by other companies. It also provides maintenance.

Behind

The plug-compatible business sounds an easy way to make money but suppliers are by definition always one jump behind IBM; and IBM has no intention of making things any easier for them than it has to. New releases of hardware and software from the company frequently include features which their competitors believe are put there more to frustrate the plug-compatible suppliers than to improve the performance of the system.

The plug-compatible vendors argue that IBM has no grounds for complaint and point to the enormous order back-log which *the company has built up*, a back-log which has resulted in lead times stretching up to three years for new products like the 3030 series processors.

"IBM has delivered every large-scale system it could build even after our arrival in the market," says Dr. Gene Amdahl, founder and chairman of Amdahe Corporation. "Therefore we have not taken any business away from them."

Although the plug-compatible market is overwhelmingly dominated by companies feeding off the IBM base, other mainframe manufacturers have occasionally become targets for add-on equipment vendors — and they typically react in a much more violent fashion than IBM.

The most interesting example in this country is the attitude of the native mainframe computer manufacturer ICL to users that install add-on memory or peripherals from independent suppliers. ICL's policy is *to charge its users a levy, or* licence fee as ICL prefers to call it, amounting generally to 20 per cent of the monthly rental of the equivalent ICL equipment. This could be the equivalent amount of ICL add-on memory.

ICL justifies this levy on the basis that the development costs of ICL systems software are included in its hardware prices instead of being charged for separately, and that ICL must therefore recover these costs through the levy if a user decides to instal plug compatible hardware from another supplier.

But some ICL users have not accepted the levy without protest. Over the past year or so the ICL Computers Users' Association has tried in vain to persuade ICL to change its policy, while at least two users that installed add-on memory from the independent supplier Systems Reliability refused point blank to pay the levy. At the same time the Central Computer Agency (CCA), the office through which all computer equipment is ordered, complained to the Office of Fair Trading (OFT) about the policy, albeit without eliciting any firm response.

The levy must be particularly galling to central government computer users since they are obliged under the Government's single tender policy to buy all their big computers from ICL. Interestingly, the two ICL users that challenged ICL directly over the levy have both now changed their mainframe computer suppliers, neither of them being central government users.

It is not just the levy itself that has caused frustration. Last year Systems Reliability complained to the OFT about ICL's policy of refusing to supply users with the equipment needed to add memory over a certain limit to an ICL system if the memory is not from ICL. The equipment is called a store extension unit. As with the CCA complaint the OFT made no firm statement on the matter.

The only significant concession made to plug-compatible manufacturers up to now by ICL has been to allow a user to replace completely his ICL disc storage systems with disc systems from an independent manufacturer. Hitherto the user had to have at least one ICL disc system. But users still have to pay the 20 per cent levy if they instal disc systems from an independent supplier.

Tim Palmer and Keith Jones
Computer Weekly

'Total service' is a growing need

COMPUTER USERS who are understandably seduced by the financial advantages of having a mix of equipment from different manufacturers often *end up with a bewildering array* of equipment, systems and software. Such users usually have a great deal of experience and expertise, otherwise they would not have been able to put together such complex systems. But the same expertise can also bring its own problems in that it can complicate the servicing of the equipment on the site.

Maintenance is usually done by the hardware supplier or manufacturer, but in a mixed configuration this could mean three or four different engineers attending to separate items. In most cases servicing in such a manner does not present many problems. System breakdowns can usually be identified by on-site staff and the appropriate action promptly taken, like calling in the engineer from the manufacturer which provided the defective unit to service the equipment.

But there are times when it can be difficult to pinpoint exactly where the fault lies. A software error, for example, can usually be identified and corrected by systems analysts and programmers on-site. But occasionally an assumed soft*ware error turns out not* to be a software error; it only seemed so. In reality the fault could lie in the central processor, or a disc or terminal, and it could be extremely difficult to identify just which piece of equipment has gone awry. If the items are from different manufacturers, which does the user call on for service?

In cases like that an engineer who knows all there is to know about the site could be very useful. An on-site engineering team would be ideal but very few organisations find it economically feasible to employ their own teams of engineers.

The next best thing is to make use of an independent maintenance company, which is near enough to the user having his own engineering team as to make no difference. The benefits of having just one maintenance contract to cover a variety of equipment are substantial.

Independent maintenance companies developed because of the growth of the plug compatible industry. The arrival of equipment capable of interfacing with mainframe computers from suppliers other than the mainframe manufacturer was responsible for the concept of "total service" for a computer site with a mix of equipment.

Growing

The independents are now well established and growing. Their credibility is enforced by the fact that in some cases manufacturers have wanted independents to take over service in areas where their own coverage is not economically feasible.

In choosing a service company the user needs to be satisfied that the independent can provide a service which is as reliable and efficient as that provided by the manufacturer. The manufacturers' attitude towards the independent needs to be checked because some might not like the idea of independents taking over the servicing of their equipment.

On the other hand a site with a variety of equipment might find that independent maintenance is the only possibility because some manufacturers are often reluctant to allow other manufacturers access to their equipment. Independent maintenance can also sometimes be the only alternative when second-hand or obsolete equipment is being used.

In turn the independents will need to be satisfied that their engineering teams possess sufficient technical knowledge to carry out the proposed maintenance application efficiently. The independent will also have to ensure that technical documentation, which in some cases is provided as a right to the user, is available because other suppliers may prefer to keep such documentation. Spare parts are another vital problem. They must obviously be easily available to the service company.

If those points are satisfied, then "total service" ought to mean just that.

Chris Thornton
Computer Management

Second-hand market can produce a bargain

SECOND-HAND computers are a flourishing part of the data processing scene, and providing the prospective purchaser of such equipment adheres to some basic rules there is no reason why a used machine *should not prove to be as satis*factory as a new machine. The key rule is that the buyer should have a very good idea of what the machine is going to be used for and for how long. If the machine can do the job for which it is intended it should not matter if it is superseded by new technology.

Lower prices are one of the chief benefits of buying second-hand machines. IBM equipment accounts for about 90 per cent of used market transactions and the machines sell at an average of 70 per cent of list price. This price is higher than for other manufacturers' machines because of IBM's policy towards used machines. The company accepts responsibility for continuing the maintenance of its machines at subsequent sites, wherever they are. The company's equipment commands a high resale value for that reason and that is also capitalised on by leasing companies which can offer low-cost leases on IBM machines secure in the knowledge that profits can be made from second, third or fourth leases *of the equipment*. Savings can also be made by leasing used IBM machines with plug compatible peripherals.

Ready

Large companies which are experienced computer users are generally more ready to accept seconds than are small companies. A glance at some of the transactions conducted by one of the largest leasing companies, Standard and Chartered, indicates the acceptance of second user machines by large companies. Among the big system movements that Standard and Chartered has been concerned with are the transfer of a 370/145 from Pilkington Glass, St. Helens, to Clarke Chapman at Gateshead; a 370/168 from CNRS in Paris to Quelle at Nuremberg; and an IBM 370/125 from Burlington in Basle to Duckhams in London.

Customers who buy second-hand computers obtain a well tried and tested machine range which has had all its bugs ironed out. Another advantage is that the buyer can often achieve a quicker delivery of secondhand machines. It is quite usual for delivery times of new equipment to be quoted in terms of months, and a waiting time of a year is not unknown. Ordering second-hand machines can save that time.

When buying secondhand *machines the customer is* advised to choose a broker who will provide before and after sales service. Most brokers do so, and many are usually willing to assist in projects at all times.

According to Barry Cross, of Computer Resale Brokers, a broker's main resource is a technically skilled staff who can recognise or *anticipate* computing trends: see the potential of machines and acknowledge their limitations: forecast technical developments: and advise clients of the arrival of equipment which the broker believes might be of use to the customer.

When buying secondhand equipment, the basic rules to follow are to check the documentation covering the equipment's background history; establish the precise age of the machine; check that the operating systems and engineering manuals are complete; establish that plug-compatible equipment is approved by the manufacturer and find out that everything about the software included in the equipment is specified.

Buyers should also satisfy their curiosity on performance. Will it perform as reliably as promised? They should ascertain that add-on units from alternative suppliers can be incorporated into the system: make sure that software support is available and, finally, discover if the machine is eligible for a standard maintenance contract, and find out how much longer the equipment can be *maintained*.

Chris Thornton

The quiet revolution

QUIET revolution is under in the computer industry, its implications for com- r user and supplier alike scarcely begun to be ressed. The cost and price ardware has plumetted over past ten years, and with new e compact forms of semi- luctor technology coming g every year the decline in cost of hardware shows no of slowing down for at least ther decade.

he cost of software on the other hand is a people cost, and the normal increases in the cost of employing people is compounded in the computer industry by the critical shortage of trained programmers and analysts.

Yet despite the implications of these two opposing trends, computer manufacturers have traditionally quoted an all-in price for hardware and software—in effect giving the system software away free. They have thus educated users to regard hardware as valuable and software as cheap. Yet a computer without software is a heap of tin.

Needless to say, IBM is well aware of the threat posed by these two opposing trends, and in the past couple of years has made subtle moves to redress the balance. The overwhelming mass of IBM's system software is still free but new introductions and enhancements usually have a sale price or rental fee.

At the bottom end of the business systems market, a new policy pioneered by Burroughs with the B80 and followed by NCR on the 8250 and IBM on System 34 has aroused considerable concern in the U.S.

People buying these small business computers cannot now buy the system software outright with the machine. Instead they have to pay a monthly rental to the supplier for the system software, without which the machine is useless. This means that when they come to sell the machine they can only sell the hardware. The new user has to go back to the supplier and sign a new rental agreement for the system software. There is no suggestion as yet that this will be anything more than a formality but it is clearly open to the supplier to refuse to license the software to the new user.

At the other end of the scale IBM has introduced an enhanced version of its large-scale MVS operating system called MVS/SE. This requires 13 instructions which are additional to the standard instructions set on the IBM 370 line but are standard on the new 3030 series. If a 370/158 or 168 user wants to gain the performance benefits offered by the enhanced version of the operating system he has to add to his processor extra circuitry called Extended Feature. It is fairly easy to add Extended Feature to a 158 because the instruction set is microcoded, and it will cost him £9,480. However, the instruction set on the 168 is hardwired and to add the Extended Feature costs a formidable £47,000.

Rental

In addition, there is a monthly rental charge for the MVS/SE software of £951, whereas the basic MVS operating system comes free.

In part it is probably true that IBM made this move in order to make life tougher for the plug-compatible 370 vendors like Amdahl. Amdahl has written software called MVS/SE Assist which performs the same functions as the 13 additional instructions on the 3030 series and enables users of the Amdahl 470V series machines to run MVS/SE. However, the user is then faced with two monthly rental bills for system software; he has to pay Amdahl $250 a month (no UK price has yet been quoted) for MVS/SE Assist but he also has to pay IBM £951.30 for MVS/SE.

That looks very much like the shape of things to come from IBM. Users have now made such an enormous investment in applications programs which will only run under one specific operating system that it is no longer feasible for a supplier to introduce a completely new large system operating system. The costs of converting to it (as ICL users making the conversion from George 3 on 1900 to VME/B on 2900 will testify) is such that most users would simply not be prepared to make the switch. Late last year Univac shelved for this very reason a major project to develop a new operating system designed to bring together users of its incompatible 90 and 1100 series on a new generation of common hardware with a new operating system.

IBM is effectively precluded from introducing charges for existing software products by anti-trust considerations. But what it can and clearly will do is to introduce major improvements in performance to existing software products like MVS/SE for which the user will have to pay.

That suggests that users could continue to avoid paying for their system software simply by continuing to run the old software unaltered. Some indeed will do so but the majority will ultimately decide to pay up simply because support for new, faster and cheaper peripheral devices, particularly secondary storage and printers, will increasingly be provided only in the new and paid-for versions of the operating system.

However, by no means all changes in the method of charging for software are simply a method of making users pay for something they used to get for nothing. Companies have invested enormous amounts of money in complex application programs, particularly in areas like simulation, modelling, mathematics and scientific applications, and they need to find new ways to recoup this investment.

It is noteworthy in this context that manufacturers traditionally employed far more people on research and development into hardware than software. Today the trend is rapidly reversing so that most companies have as many software as hardware development engineers, and some, Modcomp for example, have more on software than hardware.

Trend

Control Data pioneered the trend towards "unbundling"—i.e., charging separately for hardware and software. It is now pioneering another development in charging for software which is likely to be applied much more widely in the future.

Called Usage Pricing, the new Control Data policy is not, as the name implies, a wicked means of squeezing more money out of the user. Rather has it been introduced in acknowledgement of the fact that it is wasteful to devote major resources to developing complex application software packages and then price them out of the reach of many potential users. Usage pricing has so far only been applied to one package, Apex III, which is an advanced mathematical suite for linear programing, which runs on Control Data's large-scale Cyber 170 machines.

Apex III has traditionally been offered at an initial charge of $2,040 plus a fixed monthly charge of $910. Under usage pricing it will cost as little as $100 a month plus a small initial fee, and a routine built into the program will determine the extent to which it has been used. The charges will be determined during routine maintenance checks on the machine.

The charges under usage pricing should never exceed the standard monthly rental fee, because if a customer's use of the package runs up bills in excess of the fixed price he will be able to convert his contract for the software to the standard one.

The move has been generally welcomed by Control Data customers, many of whom are universities which will for the first time be able to justify the cost of putting up an expensive package like Apex III which might not be used more than a handful of times a year.

The rapidly growing cost of software means that it now represents a large proportion of the value of an installation. Today that value is made up almost entirely of application software but the value of the system software is beginning to climb and will assume a growing importance. Already the Basic or APL interpreters for the IBM 5100 desk-top computer come on a read-only memory chip—hardware given away with software—and that is very much the shape of things to come.

Tim Palmer

Third party leasing

MPANIES THAT buy com- ers and lease them out to -users lead an interesting . They can make a great l of money but they can also a lot. Over the past 10 rs a number of them, ecially in the U.S., have lost nty. Why is this?

he explanation must start by ussing what third party iputer leasing is all about— that means IBM.

nyone with any knowledge he computer business knows t it is dominated world-wide IBM, Japan and Britain ng the only major countries re the U.S.-based giant has taken the majority of the ket for medium to large- e computers. In Britain the 's share of the market is ed up roughly equally be- en IBM and the home manu- urer ICL.

he abundance of IBM com- ers is one of the most impor- t reasons why most third ty computer lessors main- (100 per cent IBM port- os. But of equal importance BM's policy of providing en- eering services and support systems software to almost users of its computers almost where in the world, whether y buy or rent from IBM lf, or lease a new or used hine from a third party or, or buy a used machine n just about any source.

his is of course similar to all embracing service cies of some manufacturers planes and luxury cars, but ught to be pointed out that 's accommodating attitude also encouraged in no small sure by a consent decree it signed some years ago n threatened by the U.S. -trust laws.

hird party lessors also our IBM computers because feel that they can estimate residual value of an IBM hine, say in four or five rs time, more accurately that of a less popular make computer. If they get it t and have the marketing ertise to place the used IBM hine with another lessee n it comes off the first lease can more than cover what ost to buy the machine in first place and make a thy profit on the whole ation.

ecause the lessee only has to r part of the cost of the hine in his payments under type of lease—an operating e as it is called—it can him significantly less than ing from IBM.

me lessees still favour the e traditional finance lease, re the total cost of the hine plus interest charges the lessor's profits are all red by the lessee's pay- ts, but the finance lease lves a longer term than an ating lease, seven years g typical, and this does not al to the type of lesssee wants to be able to replace achine after, say four years, a computer offering more nced technology or more e for money. This is where d party lessors face their t serious problems.

...head

1964 IBM introduced the series, the computer range generated enough sales to IBM streets ahead of its petitors in the computer ness. Leasing companies t overboard for the 360 and ght it in large numbers, ming that they could place n with ease. They did so l 1971 when disaster struck e form of the 370 series.

e 370 was nothing more a souped-up version of the being software compatible not radically different in lware terms either, but this not stop the bottom falling of the 360 market.

ssors had to write substan- amounts off the residual es of 360 machines out on and had tremendous lems placing 360s still on r books. The result was some went bankrupt and rs were taken over.

appily, in the years fol- ng many IBM users came ook upon the 360 as a less-expensive and equally effective alternative to the newer 370 and the values of 360 machines firmed up.

However, there are those who now think that today's 370 lessors could suffer the same fate as the 360 boys in 1971 especially following the announcement last year by IBM of the 3031 and 3032 which supercede the medium to large machines in the 370 series. The new machines are virtually identical to the 370s they replace but are significantly cheaper, mainly because IBM charges a lot less for their semiconductor memory, the manufacturing cost of which is continually falling.

Suspicions about the real residual values of big 370s out on lease following the 3031/3032 announcement were aroused, or made stronger, late last year when underwriters at Lloyd's of London stopped providing cover on the residual values of leased IBM computers.

The Lloyd's "J" policy, as it was called in the leasing business because the proposal is written on the Lloyd's form coded J which is used for miscellaneous policies like film stars' legs, was used extensively by some third party lessors in Europe and the U.S. to assign in some cases inordinately high residual values to machines they were placing, in order to offer lessees very favourable terms.

Values

When these machines start coming off lease, which they will do in just over a year's time, a lot of them will not realise their assigned residual values and claims will be made on the Lloyd's underwriters which will amount to many millions of pounds, tens of millions quite possibly.

However, the J policy is worded in such a way that the underwriters may very well not be obliged to pay the difference between the real and assigned residual value on a machine in many cases.

The lessor or the leasing bank that funded the machine will probably have to accept the loss, but in some cases the lessee may suffer because in some leasing contracts the lessee is obliged to make up the difference if the machine does not realise its residual value and the Lloyd's underwriters refuse to pay out. This could apply to some seven-year lease contracts with a third or fourth-year break clause.

But it must be stressed that most lessors have not abused the J policy in this way and indeed some of them have never depended on it to pick up business at all.

At the same time the third party leasing business is enjoying good health at the moment for various reasons, the main one being that it makes economic sense now to purchase or lease on IBM computer rather than renting from IBM. While IBM reduced the purchase prices of the 3032 and 3031 dramatically compared with the older machines, it hardly reduced the rental charges at all, mainly because it wants to encourage purchase rather than rental deals in order to maintain its growth and profitability. This means that a lessor can buy a machine from IBM and lease it at rates that compare very favourably with IBM's rental charges.

One third party lessor doing good business at the moment is the UK company United Leasing, which placed £10m of new IBM machines between April and June this year, including the first 3032 processor to be installed in Europe. The customer was Shell Nederland BV in The Hague. Some of United's other clients include organisations like France's Credit Agricole, said to be the largest bank in Europe, and two major UK organisations, the Central Electricity Generating Board and the British Gas Corporation. All this goes to show how just about any type of computer user will opt for a lease if it makes economic sense to do so.

Keith Jones

Dow retreats 10 after recent strength

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—108¼% (106⅞%)
Effective $1.8635—51% (49½%)

INTEREST RATE WORRIES and some softening in the dollar combined with technical factors caused Wall Street to retreat yesterday in moderate trading.

The Dow Jones Industrial Average sustained a setback of 10.05 at 829.00 and the NYSE All Common Index receded 47 cents to $54.45, while declines outpaced rises by 982 to 483. Trading volume came to 22.86m shares, down 6.32m from the previous day's total.

Analysts said recent market gains, particularly last Friday's sharp advance, left Wall Street due for a correction.

The Federal Reserve's policy-making Open Market Committee met yesterday and alysts commented that investors will be waiting to see whether any decisions were made to further tighten credit conditions. Some hints are often provided by Fed action in the Government Securities market.

The dollar declined against most major currencies in European foreign exchange trading, with dealers citing scepticism that the just-concluded economic summit meeting in Bonn would produce any lasting solution to the dollar's problem. Some dealers, however, saw a sense of co-operation in the talks.

Oil issues, which benefited recently from speculation about Baltimore Canyon drilling, lost ground, as did Motors, Chemicals and Copper, Alluminium, Retail, Drug and Semi-conductor issues.

Improved second-quarter corporate earnings reports, however, helped strengthen individual stocks.

Among Airline issues, United Airlines gained $1¼ to $33 in active trading, but Trans World Airlines eased $¼ to $20¾—both reported large increases in second-quarter net profits.

Allegheny Airlines rose $¾ to $11½—it intends to serve Atlantic City with direct scheduled service this Autumn. American Airlines added $¼ in brisk trading.

ICN Pharmaceuticals improved $⅞ to $5—the company has signed a "secrecy agreement" with a major German pharmaceutical concern regarding its anti-viral drug, Virazole.

Other drug stocks were mostly lower. Smithkline fell $3 to $88⅝, Upjohn $¾ to $47⅞ and Eli Lilly $¾ to $48⅜ despite all three reporting improved second-quarter earnings.

Cement Producers advanced against the trend. Southdown climbed 2¼ to $32½, General Portland Cement $1 to $12½ and Medusa, after higher second-quarter earnings, were ¼ up at $43.

Merrill Lynch declined $1 to $17⅞ even though second-quarter profits nearly doubled those of a year ago were announced.

Ford Motor lost ¼ to $45¾, General Motors also ¼ to $60⅜ and Chrysler ¼ to $11.

IBM receded $1½ to $264½, American Telephone ¼ to $60, Burlington Northern $1 to $40⅞, U.S. Gypsum 1¼ to $25½, Halliburton 1½ to $60⅛ and Hewlett-Packard 1⅞ to $83⅞.

THE AMERICAN S.E. Market Value Index came back 0.68 to 150.17 on volume of 3.21m shares (3.68m).

Houston Oil led the actives list and fell 1⅜ to $21¾, but Sargent Industries, in second place, gained 1⅛ to $7⅞—the latter is holding talks on the sale of its assets.

Amdahl eased ½ to $37½ in spite of increased second-quarter net profits. CDI retreated 1⅞ to $7⅞ after it refused an offer to acquire 35 per cent of an Atlantic City Hotel.

Germany

Stock prices were broadly higher after active trading in what dealers termed a positive reaction to Bonn economic summit decisions, especially West Germany's commitment to growth measures. The Commerzbank index picked up 4.3 more to 800.5 for a two-day improvement of 6.7.

Store issues were extremely firm for the second day in a row, with Karstadt up DM 5.00 more. Daimler advanced DM 4.00 in Motors, Deutsche Bank moved ahead DM 2.90, while Hoechst, in Chemicals, added DM 2.20. Siemens put on DM 4.60 in Electricals, while elsewhere, Schering rose DM 8.00, Linde DM 3.50 and MAN DM 4.50.

Public Authority Bonds remained under pressure, losing up to 40 pfennigs more. The Bundesbank bought DM 95.7m nominal of stock (DM 159.3m): Mark Foreign Loans also eased afresh.

Tokyo

Market moved in similar fashion to Monday, with most of a fresh initial rise subsequently eroded by profit-taking.

The Nikkei-Dow Jones indicator was finally a marginal 0.70 down on the day at 5,636.15, after an early upthrust to a post-war record high of 5,647.05. Volume increased to 280m shares from Monday's 230m.

Some export-orientated shares advanced after the Bonn summit ended without producing any serious new economic or trade problems for Japan. Matsushita Electric rose Y9 to Y742, Victor of Japan Y30 to Y1,400 and Toyota Motor Y12 to Y907, although Sony ended unchanged at Y1,670.

Public Works issues were bought on expectations of additional reflationary measures later this year, while Constructions, Housings, Machines and Steels were also favoured.

However, some front-running Printings, Chemicals, Textiles and Resources stocks closed lower on profit-taking.

Paris

Mainly small mixed movements were recorded yesterday.

Brokers said some profit-taking had offset the generally positive reaction to the outcome of the Bonn summit meeting, a lowering of the Call Money rate from 7⅜ to 7¼ per cent, and a Bank of France survey showing that industrial production rose in June. They noted that in the space of just less than a month, the Bourse index had risen by over 8 per cent.

Most sectors were mixed, although declines predominated among Oils, Chemicals, Metals, Electricals and Stores, while Hotels and *Mechanicals were mainly* higher.

Locabail, Simnord, GTM, Borel, Sacilor, CM Industries, Sommer-Allibert and Maritime Chargeurs Reunis were notably firmer, but Locafrance, Pechelbronne, Redoute, Chiers, Esso and Cotelle lost ground.

Canada

The rising trend of the past eight trading sessions faltered yesterday, and share prices closed on a mixed note after another active trade.

The Toronto Composite Index was a marginal 0.2 easier at 1,166.2, while Oils and Gas reacted 5.8 to 1,513.1 and Banks 2.15 to 281.95. However, Utilities rose 1.15 to 176.64, Papers 0.48 to 119.76 and Golds 3.9 to 1,433.3.

Y and R Properties rose ¾ to C$34 and Oxford Development Preferred "A" put on ⅞ to C$17⅞—a planned merger of the two companies and Oxlea Development involves Oxford buying Y and R shares for C$25 each.

Ram Petroleum fell C$1 to C$12—a Utah well, in which Ram's U.S. unit has an interest, is being abandoned.

Canadian Vickers lost ¼ to C$33 on lower first-half net profits but *Royal Trust "A" were up ⅜ at* C$18⅜ on higher earnings.

Coles Book Stores gained 1½ to C$21 before being halted about mid-day, pending an announcement.

Australia

Industrials moved irregularly again and Minings showed a downward tendency in quiet trading, but there were some isolated strong gains.

Coal and Allied moved ahead 15 cents to a new peak for the year of A$4.65 on news that it had become the third New South Wales coal mining concern to sign up steaming coal contracts with Kyushu, of Japan.

Bellambi, up 20 cents at A$3.60 on some Overseas interest, was the only other Coal Mining issue to do well yesterday. In contrast, Oakbridge receded 5 cents to A$1.80.

Uraniums mainly held steady, although there was a strong advance of 11 to 51 cents in Kratos on a report that it had started a drilling programme on its Pandanus Creek leases in the Northern Territory. Kathleen Investments, A$2.28, recouped Monday's loss of 6 cents.

Elsewhere in Minings, Bougainville Copper declined 6 cents to A$1.32 and Mount Isa 10 cents to A$2.20, but Consolidated Goldfields hardened 5 cents to A$3.15 and Hamersley 3 cents to A$2.35.

Industrial leader BHP came back another 4 cents to A$7.40 ahead of the annual results, due Friday.

Among Banks, Bank of NSW gave up 10 cents to A$6.14 and CBC lost 3 cents to A$1.78.

There was some support for Textiles in response to a brokers' recommendation.

Hong Kong

Market eased further on local profit-taking in *fairly active* trading, and the Hang Sang Index lost 7.91 more, to 549.31.

Swire Pacific declined 30 cents to HK$8.50, while Hong Kong Bank and Jardine Matheson shed 20 cents apiece to HK$18.30 and HK$15.10 respectively. Hutchison Whampoa receded 15 cents to HK$6.10 and Wheelock 5 cents to HK$3.10, although Hong Kong Land were unchanged at HK$10.

Jardine Loan fell 50 cents to HK$94, Hong Kong Wharf 40 cents to HK$23.20 and Hong Kong Electric 5 cents to HK$6.05.

Johannesburg

Golds, easier at first, became steadier towards the close with some counters regaining earlier losses following a higher London *bullion fixing*.

Mining Financials were barely tested, although Anglo American lost 6 cents to R5.87.

Copper and Platinum shares lost a few cents in lack-lustre trading. Tin and Asbestos stocks were *irregular*, while Antimony share Consolidated Murchison receded 7 cents to R4.35.

The Industrial sector was mixed with a firmer bias. Reed Nampak gained 25 cents to R4.60 on consideration of the results.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ◆ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. *a* Florins. *b* Schillings. *c* Cents. *d* Dividend after pending rights and/or scrip issue. *e* Per share. *f* Francs. *g* Gross. div. %. *h* Assumed dividend after scrip and/or rights issue. *k* After local taxes. *m* % tax free. *n* Francs: including Unilac div. *p* Nom. *q* Share split. *s* Div. and yield exclude special payment. *t* Indicated div. *u* Unofficial trading. *v* Minority holders only. *y* Merger pending. * Asked. † Bid. § Traded. ‡ Seller. *z* Assumed. *xr* Ex rights. *xd* Ex dividend. *xc* Ex scrip issue. *xa* Ex all. Δ Interim since increased.

NEW YORK

Stock	July 18	July 17
Abbott Labs	35⅝	36⅛
Addressograph	23¾	33
Aetna Life & Cas.	39	39¾
Air Products	26⅛	27¼
Alcan Aluminium	28	28⅛
Alcoa	41½	42¼
Allegheny Ludlum	16⅞	17
Allegheny Power	18	18¼
Corning Glass	55⅜	55⅜
CPC Int'national	49⅜	49½
Crane	27⅝	27¼
Crocker Nat.	26⅝	26⅛
Crown Zellerbach	31⅞	31⅜
Cummins Engine	36⅝	37⅜
Curtiss-Wright	16⅛	16⅛
Dana	27⅛	27
Dart Industries	45	45⅛
Johns Manville	29½	29¾
Johnson Johnson	81⅞	82⅞
Johnson Control	27¼	27⅜
Joy Manufacturing	33⅝	33¾
K. Mart Corp.	34⅞	25
Kaiser Aluminium	32⅜	32⅞
Kaiser Industries	2⅛	2
Kaiser Steel	24½	24⅞
Kay	15⅛	15⅜
Kennecott	22⅜	22⅜
Revlon	50	50
Reynolds Metals	29⅞	30⅝
Reynolds R. J.	55⅞	55⅞
Rich'son Merrell	25⅞	26¼
Rockwell Inter.	32¼	32⅜
Rohm & Haas	33⅞	34¼
Royal Dutch	59¾	60¼
RTE	15⅛	15½
Russ Togs	11¾	11⅜
Ryder System	22⅜	22⅝
Woolworth	18⅝	19
Wyly	4	4⅛
Xerox	54	54½
Zapata	16⅛	16⅛
Zenith Radio	14⅜	14½
U.S. Treas. 4% 1980	†94⅝	†94⅝
US Treas 4¼% 75/85	†79⅞	†79⅞
U.S. 90 day bills	7.09%	6.98%

CANADA

Indices

NEW YORK—DOW JONES

	July 18	July 17	July 14	July 13	July 12	July 11	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	829.00	839.05	839.83	824.75	824.88	821.22	866.51 (6/6)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	87.15	87.00	86.94	86.86	87.05	86.78	90.88 (4/1)	86.75 (11/7)	—	—
Transport	228.82	227.80	225.56	225.07	223.56	222.54	231.35 (6/6)	194.51 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.78	106.28	105.85	105.45	106.72	105.24	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	22,880	29,180	26,570	25,610	26,640	27,480	—	—	—	—

* Basis of Index changed from August 24

	July 14	July 7	June 30	(Year ago approx.)
Ind. div. yield %	5.56	5.75	5.71	4.87

STANDARD AND POORS

	July 18	July 17	July 14	July 13	July 12	July 11	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	106.98	108.09	107.90	106.34	106.30	105.96	110.98 (6/6)	96.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§ Composite	96.87	97.78	97.58	96.25	96.24	95.93	100.32 (6/6)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	July 12	July 5	June 28	Year ago (approx.)
Ind. div. yield %	5.07	5.18	5.11	4.43
Ind. P/E Ratio	9.12	8.95	9.04	10.12
Long Gov. Bond yield	8.69	8.62	8.57	7.69

N.Y.S.E. ALL COMMON

July 18	July 17	July 14	July 13	1978 High	1978 Low
54.45	54.92	54.92	54.12	56.20 (8/6)	48.37 (6/3)

Rises and Falls

	July 18	July 17	July 14
Issues traded	1,896	1,915	1,879
Rises	483	901	1,067
Falls	982	601	427
Unchanged	431	413	385
New Highs	—	64	64
New Lows	—	10	18

MONTREAL

	July 18	July 17	July 14	July 13	1978 High	1978 Low
Industrial	187.82	185.97	185.36	184.12	187.82 (18/7)	162.80 (15/2)
Combined	186.62	186.00	184.66	185.00	186.62 (18/7)	170.82 (30/1)
TORONTO Composite	1166.2	1166.4	1158.7	1148.1	1166.4 (17/7)	998.2 (30/1)
JOHANNESBURG Gold	257.8	257.2	257.1	255.8	257.2 (17/7)	183.0 (20/4)
Industrial	252.2	252.4	251.2	250.0	252.4 (17/7)	194.9 (15/3)

	July 18	Previous	1978 High	1978 Low
Australia(*)	501.74	504.42	504.42 (17/7)	441.19 (1/3)
Belgium (‡)	96.37	96.28	101.16 (8/6)	90.43 (23/3)
Denmark(**)	95.72	95.62	92.13 (6/1)	94.00 (6/3)
France (††)	71.2	71.1	71.2 (30/6)	47.3 (3/2)
Germany(‡‡)	800.5	796.2	812.7 (10/2)	760.4 (17/6)
Spain (d)	102.57	103.18	110.78 (9/6)	87.83 (17/3)
Sweden (e)	384.27	380.51	[illegible] (3/6)	325.74 (5/1)
Switzerl'd(f)	291.7	291.8	336.90 (28/6)	278.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50, Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975).

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	■ Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	†10 %
Amro Bank	10 %	Julian S. Hodge	11 %
P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	10 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½%
Banque du Rhone	10½%	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Norwich General Trust	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't. Trust	10 %	Rossminster Ltd.	10 %
Capital C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½%	E. S. Schwab	11½%
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	11 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½%
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	11 %		
First Nat. Fin. Corpn.	12 %		
First Nat. Secs. Ltd.	12 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 7½%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7¼%.

GERMANY

TOKYO

AUSTRALIA

BRAZIL

OSLO

JOHANNESBURG

AMSTERDAM

BRUSSELS/LUXEMBOURG

PARIS

SWITZERLAND

COPENHAGEN

MILAN

STOCKHOLM

VIENNA

SPAIN

TUESDAY'S ACTIVE STOCKS

Securities Rand U.S.$0.68¼ (Discount of 40.2%)

FARMING AND RAW MATERIALS

IMPS' BID FOR EASTWOOD

A case for the Monopolies Commission?

BY ANDREW TAYLOR

[G]IVEN THE current politically [se]nsitive climate on food prices [an]d the Government's attitude [to]wards mergers of large com[pa]nies, the Imperial Group's [£]8.2m bid for J. B. Eastwood [a]ppears to be a prime candi[da]te for a Monopolies Commis[si]on investigation.

Using Imperial's own [fig]ures, a merger of the two [bu]sinesses would give the com[bi]ned groups a 32 per cent [sh]are of the UK broiler [ch]icken market — although [in]dependent industry sources [sa]y that this figure could be [sl]ightly higher.

Under current monopoly [le]gislation, an investigation can [b]e triggered if a merger gives [th]e groups involved a com[bi]ned market share of 25 per [ce]nt or more.

A deal between the two [g]roups would also give them a [su]bstantial share of the egg and turkey markets. Independent industry sources estimate that Eastwoods and Imps, combined share of the egg market would approach 18 per cent, although Imps' own figure is substantially lower at about 12 per cent.

The independent sources say, however, that the current UK commercial market for eggs is about 650,000 boxes a week and that only last year Eastwood—the market leader—was planning to raise its egg production from about 68,000 boxes a week to 90,000. Even if the group fell short of this target it seems likely that its market share is currently still about 11 per cent.

Imps says that a merger would give the groups a combined share of the turkey market of about 18 per cent—although here again industry sources put the figure slightly higher at about 20 per cent.

Although the market shares in turkeys and eggs are not sufficiently high to constitute a reference to the Monopolies Commission, they will certainly add weight to the argument that there should be an investigation.

Imps, however, is already arguing that the Commission should not be brought in.

It says there are strong competitive forces inside the industry and at the retailing end which would prevent the merged groups from attaining a dominant position.

A spokesman for Imps said: "Apart from ourselves there are another nine large producer companies in the broiler industry with market shares ranging from 7.8 per cent to 1.8 per cent. Two of these companies are controlled by major groups—Unilever and Courtaulds. In addition there are a large number of small operators controlling around 20 per cent of the market."

Imps also make great play of competitive forces prevailing at the retail end of the business—particularly since the start of the supermarket price war.

Imps says: "There is little brand loyalty. In fact, most of the chickens sold in supermarkets are under own-brand labels. The climate is such—particularly in time of a glut—that the retailers are in a strong position to control profit margins."

Imps' offer of 160p a share is 21 per cent. higher than the 132p a share bid by Cargill. This privately owned U.S. agricultural merchants is one of the world's largest grain traders, with annual sales of more than $10bn. (£5.4bn.)

Cargill said yesterday it had not yet reached a decision on whether it would now make a new offer.

Imps is likely to make use of the argument that Cargill — if it succeeded — would supply its animal feed to Eastwood while, if the group remained in British hands, it would take its feed from home sources — to the benefit of the trade balances.

Imps is not looking only at the economy of scale that would result from the merger. It also sees great benefits from its poultry-breeding business. Last year Imps exported about 1.4m birds.

A spokesman said: "This is a highly competitive market, particularly in the U.S. A merger with Eastwood would have substantial benefits and greatly increase the genetic breeding stock.

Sugar at lowest for five years

By Our Own Correspondent

THE LONDON daily price for raw sugar was set at its lowest level for five years yesterday. It was cut £1.50 to £83.50 a tonne, and traders warned that any attempts to bolster the market by political means would result only in further price reductions.

The October futures price on the terminal market lost £1.35 on the day, closing at £85.90 a tonne.

The Interntaional Sugar Agreement's executive council is due to meet today to discuss whether to call a full council meeting of the association, which in turn would propose tactics to deal with the continuing slide in world sugar prices.

The London daily price has dropped £23.50 a tonne since the beginning of this year.

One London trader said an ISA council meeting would be "silly. It will only damage the market further." he commented.

Trade yesterday morning was largely influenced by a Peruvian sale to a U.S. operator of 24,000 tonnes of raws for shipment in February. Further downward pressure on prices came later in the day from the impending Colombian selling tender for 12,000 tonnes of raws.

Pea growers to seek big price rises

BY DAVID RICHARDSON

PEAS PICKED and processed only a couple of weeks ago at the beginning of this year's harvest campaign are already being offered for sale in supermarkets.

Stocks of last year's crop were extremely low by the time this season's peas were fit, and the late start to harvesting, caused by the cold spring and summer, led to some processors running out of supplies during June.

On the face of it this left the processed pea industry in a very healthy position. Cold stores were cleared ready to receive this year's crop, the continuation of expensive storage of old stock was avoided and the total income and profit from last year's expenditure was recovered within the 12-month farming cycle.

The actual situation, however, is not quite that simple. Last year's processed pea harvest was a good one and processors ended the season with well-stocked stores. But fresh vegetables had seldom been so plentiful as they were last winter, in good quality at low prices.

Shoppers with budgets limited by economic restrictions such as the Government pay guidelines decided to economise and plumped for cheapness rather than convenience. Sales of processed vegetables slumped and it seemed certain that there would be a big carryover of peas into the following season.

Processors reacted predictably. In January and February during negotiations with pea growers they imposed cuts in the contract acreage to be planted in March and April. Averaged over all companies, the cuts amounted to a 12 per cent reduction on the previous year although the biggest processors, Birds Eye, Findus and Ross, cut their crops by 14 per cent.

Reduction

At the same negotiations the major processors refused to raise the ex-farm price of peas or payments for harvesting and delivering crops to processing factories.

Growers were told they must accept what amounted to a reduction in real income, when cost inflation was taken into account, to allow the processing side of the industry to recover from the disastrous drop in sales.

However, the cold spring which delayed the development of this year's pea crop also affected the availability of fresh vegetables. Supplies became short and prices rose as cold spring turned into cold, wet summer and sales of processed products took off.

By mid-June, as I have already indicated, most processors were scraping the bottom of their cold stores to fulfil orders from supermarkets and the pea harvest came only just in time.

Meanwhile, about a third of the 1978 green pea harvest has been completed. Yields from early crops were disappointing at 15 per cent to 20 per cent below average in most areas, but recent warmer drier weather has already improved prospects for later plantings and tonnages have begun to improve to make up some of the deficiency.

Freezer

Green beans, which are to some extent interchangeable with peas in freezer cabinets, have also suffered from the cold weather and, although the harvesting of them will not begin until mid-August, present yield prospects look poor indeed.

Sales patterns, the availability of fresh vegetables and so on will all have a bearing on the situation of course, and the possible shortage in the shops may not occur. But farmers who consider themselves to have been exploited by the big processors are already expecting a much-enhanced bargaining position from which to argue next year's prices.

Farmers' determination to negotiate sizeable increases is reinforced by the fact that many are faced with imminent replacement of their pea-harvesting equipment. New generation green pea threshers have recently become available whose performance and efficiency are a significant improvement on the older machines.

However, the new machines cost about £60,000 each this year and it has already been hinted that the price may be closer to £70,000 next season. Faced with such a massive outlay for machines which work for only five or six weeks a season, farmers are unlikely to be satisfied with the usual six-year contract to grow, which contains no guarantee that pea prices or operating costs will keep up with inflation.

German cocoa demand surprise

BY RICHARD MOONEY

[NE]WS OF a sharp rise in West [Ge]rman second quarter cocoa [be]an usage took cocoa dealers [by] surprise yesterday.

A modest cut in grindings had [be]en forecast with most dealers [ex]pecting the April-June total to [be] about five per cent below the [fig]ure for the corresponding [pe]riod last year. But the actual [fig]ure, announced by the West [Ge]rman Confectionery Associa[tio]n, was 34,724 tonnes, 7.5 per [ce]nt higher than last year.

There was little reaction on [th]e futures market, however. [Se]ptember delivery cocoa [cli]mbed more than £30 to £1,768 [a] tonne soon after the London [op]ening but this mainly reflected [a] sharp rise in New York prices [ov]ernight.

The underlying "bearish" [ma]rket tone was quickly [re]-established, possibly encouraged by Paterson, Simons and Ewart's forecast of a continuing world surplus, and by the close September cocoa was quoted at £1,727.5 a tonne, down £7 on the day

The West German grindings figure completes the second quarter demand picture. Following cuts of 18.2 per cent in the U.S. and 7.3 per cent in the UK a net decline in world consumption is indicated. But this decline is no worse than was forecast and the effect on the market has therefore been fairly neutral.

Most dealers seem to take the view that prices still have not fallen sufficiently to match consumption to production and while surplus supplies continue to overhang the market prospects for a recovery in prices remain slim.

Australian wool sales decline

SYDNEY, July 18.

WOOL SALES at Australian auctions fell to 3.29m bales in the 1977-78 season (ended June 30) from 3.46m. in 1976-77, the National Council of Wool Selling Brokers announced here.

This is the lowest total since the 1949-50 season and compares with the record 5.60m bales sold in 1969-70.

Total proceeds, however, rose to A$945.06m from A$939.74m reflecting a rise in average greasy price per kilo to 187.14 cents from 182.73 and in weight per bale to 153.7 kilos from 148.59.

Wool unsold in store at the end of June totalled 80,032 bales against 129,075 a year earlier, the Council said.

Total receipts into store in the season amounted to 3.37m bales (3.59m last year), including carry-over and wool received for re-sale, of which 3.17m (3.28m) came from the season's clip.

Bales shipped abroad for sale came to 2,197 against 3,607 in 1976-77.

Sales in June totalled 203,347 bales (208,409 in June 1977) at an average price of 181.00 cents (170.01) per kilo greasy for total proceeds A$58.03m (A$54.18m).

Commenting on the season, the National Council said that in the first seven months the market was quiet with prices close to minimum support levels.

Public says 'no' to Labour plans for land takeover

BY CHRISTOPHER PARKES

MORE THAN 70 per cent of the British public oppose the plans of the Labour Party's National Executive for a state takeover of the land, the Country Landowners' Association (CLA) announced yesterday.

And 65 per cent claimed that nationalisation of agricultural land would mar the beauty of the countryside.

The strength of public opposition was judged from results gathered by the British Market Research Bueran through extra questions added to its regular sampling of 2,000 consumers.

One of the most striking results of the survey, the CLA said, was that only 10 per cent of the people questioned knew of the Labour Party NEC's proposals for land nationalisation.

"Radical proposals to transform society can be adopted as a major party's policy without the public knowing what is happening," the association commented.

Of the people interviewed, 73 per cent were against state acquisition of agricultural land and 72 per cent thought it was important for a free society that agricultural land should be privately owned.

Although only 45 per cent disapproved of an annual tax on wealth, the number against a wealth tax went up to 72 per cent if it meant that a landowner had to part with land to the state to pay the tax.

"Forty-six per cent believed that land nationalisation would make it more likely that owner-occupied housing would be nationalised," the CLA added.

"This is an important reaction in view of the NEC's statement that the acquisition of agricultural land represents a 'vital first step' towards the public ownership of all land."

The poll was evidently commissioned to provide a backdrop against which the results of the Government's own survey on land ownership may be viewed.

Lord Northfield, acting under instructions from Mr. John Silkin, Minister of Agriculture, is now concluding his assessment of how the pattern of land ownership and tenancy has changed in recent years. His report should be published later this year.

Mr. Silkin himself has referred to Lord Northfield's efforts as possibly the most thoroughgoing examination "since the Doomsday Book."

Written evidence has been taken from almost 100 organisations and individuals.

U.S. sugar, meat policies criticised

LINCOLN, July 18.

SENATOR BOB DOLE told yesterday's National Corn Growers Association meeting here that the Carter Administration's policies on sugar imports were costing farmers from six to seven cents a bushel on their corn.

"They imported a million pounds of raw sugar that replaced maize sweetener that could have been made from 60m bushels of your maize," Mr Dole said.

Foreign sugar being imported below the cost of production came at the expense of sugar beet and sugar cane farmers, he claimed.

Mr. Dole also cited meat imports as a problem that affected the price of maize. "The unfortunate decision by President Carter to raise beef imports will have a negative effect on maize prices," he said.

"We are not going to have a feed grain industry on a strong profitable level until we have a healthy meat industry. To expand production, a cattleman will have to see prospects of a profit for three years."

Reuter

Coffee fears discounted

BY OUR OWN CORRESPONDENT

[B]RAZILIAN WEATHER pros[pe]cts continued to dominate the [co]ffee futures market yesterday. Having opened lower, follow[in]g through from Monday's [e]nd, nearby prices surged £50 [hi]gher during the morning in [re]sponse to reports that a new [co]ld front was threatening the [co]ffee regions.

The renewed nervousness was encouraged by a Brazilian Federal Government weather office report, but weather office sources said in a later report that there was little immediate danger of frost. The market responded by resuming its downward course.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Lower on the London Metal Exchange, but there was a recovery in late trading. Volumes traded were small and after starting at £730 forward metal declined to £725 in a continuation of Monday's decline. In the afternoon, however, despite a lower Comex opening, the price lifted, helped by limited [illegible] buying and closed on the Kerb at £730. Turnover 21,750 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £706.5, 7, three months £728, 27.5, 28, 27, 27.5, 28. Cathodes, cash £703, three months £723.5. Kerb: Wirebars, three months £727.5, 28, 28.5. Afternoon: Wirebars, three months £727, 26.5, 26, 25.5, 25, 25.5. Cathodes, three months £721.5. Kerb, Wirebars, three months £728.5, 27, 27.3, 28, 29.

[illegible]

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	706.5-7	-5.75	704-.5	-2.75
3 months	727.5-8	-5.5	725.5-6	-2
Settl'm't	707	-6	—	......
Cathodes				
Cash	702.5-3.5	-6.25	700-1	-2
3 months	723.5-4	-6	721-.5	-2.25
Settl'm't	703.5	-6	—	......
U.S. Smt.	—	......	*66.5-68	......

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6580-90	+15	6660-80	+45
3 months	6510-30	+15	6515-30	+67.5
Settlem't	6590	+10	—	......
Standard				
Cash	6580-85	[illegible]	6660-80	+45
3 months	6500-10	+6.5	6500-10	+65
Settlem't	6585	+20	—	......
Straits E.	†$1710	-8	—	......
New York	—	......	—	......

Tin—[illegible] Landon forward metal started at £6,465. Despite hedge selling some fresh buying caused a rise to £6,520. In the afternoon the price moved at a slightly lower level reaching £6,515 at one stage before closing on the Kerb at £6,500. Turnover 1,035 tonnes.

Morning: Standard, three months £6,495, 70, 75, 80, 85, £6,500, 20, 10, 05, £6,500, 05. Kerb: Standard, three months £6,510, [illegible]

LEAD—[illegible]

ZINC—[illegible]

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]
Sett'm't	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Spot	[illegible]	[illegible]	[illegible]	[illegible]

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	[illegible]	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]
S'ment	[illegible]	[illegible]	[illegible]	[illegible]
Prim. West	[illegible]	[illegible]	[illegible]	[illegible]

* Cents per pound. ‡ On previous official close. † SM per picul.

SILVER

Silver was fixed [illegible] an ounce lower for spot delivery in the London bullion market yesterday at [illegible] [illegible]

SILVER per troy oz.	Bullion fixing pricing	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	277.7p	-0.5	279p	+2.5
3 months	284.0p	-0.8	284.85p	+2.6
6 months	292.5p	-1.2	—	—
12 months	309.7p	-1.8	—	—

LME—Turnover [illegible]

COCOA

Prices eased through the day with the threat of first-hand selling, Gill and Duffus reported.

COCOA	Yesterday's Close	+ or —	Business Done
No.6 Con'tr'ct			
July	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]

Sales: [illegible]

COFFEE

ROBUSTAS rallied strongly in the morning after strong support was found at the previous day's lows. [illegible]

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1291-1297	+10.0	1335-1285
September	1225-1229	-8.5	1275-1201
November	1155-1159	[illegible]	1210-1145
January	1120-1125	[illegible]	[illegible]
March	1075-1080	[illegible]	[illegible]
May	1050-1059	[illegible]	[illegible]
July	1030-1040	[illegible]	[illegible]

Sales: [illegible]

ICO indicator prices [illegible]

RUBBER

[illegible]

No. 1 R.S.S.	Yesterday's close	Previous Close	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL

[illegible]

	Yesterday Close	+ or —	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) £83.50 (£85.00), a tonne cif for July-Aug. shipment. [illegible]

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

Sales: [illegible]

International Sugar Agreement [illegible]

GRAINS

LONDON FUTURES (GAFTA)—[illegible]

WHEAT	Yesterday's close	+ or —	BARLEY Yesterday's close	+ or —
Sept.	86.85	+0.05	78.85	-0.10
Nov.	88.45	[illegible]	81.70	[illegible]
Jan.	89.35	[illegible]	84.55	[illegible]
Mar.	91.90	[illegible]	87.15	[illegible]
May	94.?	[illegible]	89.80	[illegible]

Business done—[illegible]

WOOL FUTURES

LONDON—Dull and featureless. [illegible]

(Australian Greasy Wool)	Yesterday's Close	+ or —	Business Done
July	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	240.0
December	[illegible]	[illegible]	244.0
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]

SYDNEY GREASY—[illegible]

NEW ZEALAND CROSSBREDS—[illegible]

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on July [illegible]

SMITHFIELD (pence per pound)—[illegible]

COVENT GARDEN (Prices in sterling per package except where stated)—Imported Produce: Oranges—S. African: Navels 4.00-5.00; Brazilian: 4.20-5.20. Lemons—Italian: 100/120s new crop 4.20-4.30; Spania: trays 1.60-1.80, large boxes 3.30-4.00; S. African: 4.50-5.40. Grapefruit—S. African: 27/72 3.40-4.50; Jaffa: 40s 4.40. Apples—French: Golden Delicious 20 lb 84s 4.00-4.30, 72s 4.30; W. Australian: Granny Smith 8.40-8.80; Tasmanian: Sturmer Pippins 8.50-9.40, Croftons 10.00. [illegible] Melons—Spanish: Yellow 9/18s 3.00-3.70; Canary: Ogen 6/10s 2.40. Watermelons—Spanish: 3.70; Israeli: 2.50; Greek: 2.80.

English produce: Potatoes—per 56 lb 1.00-1.40. Lettuces—per 12 0.80. Cos 0.80. Webbs 0.80. Rhubarb—per pound, outdoor 0.06. Cucumbers—per tray 12/24s 1.30-1.60. Mushrooms—per pound 0.50-0.60. Apples—per pound Bramley's 0.13-0.23. Tomatoes—per 12 lb English 1.50-1.70. Greens—per crate, Kent 1.00. Cabbages—per crate 1.50-1.60. Celery—per 12/15s 2.00-2.20. Strawberries—per ½-pound 0.12-0.15. Cauliflowers—per 12 Lincoln 2.20-2.40. Broad-beans—per pound 0.11-0.12. Peas—per pound 0.10-0.11. Cherries—per pound Black 0.60, White 0.20-0.30. Gooseberries—per pound 0.20-0.23, Levellers 0.35-0.38. Beetroots—per 28 lb 1.20. Carrots—per 28 lb 1.60-2.10. Capsicums—per pound 0.20. Courgettes—per pound 0.15.

DUNDEE JUTE—Quiet. Prices c and f for Aug.: BWB £257, BWC £247, BWD £239, BTB £257, BTC £247, BTD £239. Calcutta goods unchanged. Quotations for July shipment: 40-in, 10-oz £9.80, 7.5-oz £7.61 per 100 yards. Aug. £9.81, £7.60. Sept. £9.81, £7.56. "B" twills £26.81, £27.17, £27.37. Yarn and cloth quiet.

Japan and U.S. plan farm trade talks

TOKYO, July 18.

JAPANESE AGRICULTURE Minister Ichiro Nakagawa is to visit Washington in September for talks on agricultural products in connection with the Tokyo round of multilateral trade negotiations, a Government spokesman said here.

The decision was made by the Cabinet, which has been in close contact with Prime Minister Takeo Fukuda at the Bonn Economic Summit, he said.

Reuter

Stockpile Bill still delayed

THE SENATE leadership still has not fixed a new date for the consideration of the Bill allowing for the disposal of metal from national stockpiles.

One of the Bills calls for disposal of stockpiled tin and silver, acquisition of copper, and other sales and purchases.

Reuter

PRICE CHANGES

Prices per tonne unless otherwise stated.

	July 18 1978	+ or —	Month ago
Metals			
Aluminium	£680		£680
Free market	[illegible]	[illegible]	[illegible]
Copper cash W. Bars	£704.25	-2.75	[illegible]
3 months do. do.	£725.75	-2.0	[illegible]
Cash Cathode	£700.5	-2.0	[illegible]
3 months do. do.	£721.25	-2.25	[illegible]
Gold Troy oz.	[illegible]	[illegible]	[illegible]
Lead Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]
Nickel	£2,566		[illegible]
Free Market (cif)(lb)	[illegible]	[illegible]	[illegible]
Platinum troy oz.	[illegible]	[illegible]	[illegible]
Free Market	[illegible]	[illegible]	[illegible]
Quicksilver (76 lb.)	[illegible]	[illegible]	[illegible]
Silver troy oz.	277.7p	-0.5	[illegible]
3 months	284.0p	-0.8	[illegible]
Tin Cash	£6,670	[illegible]	[illegible]
3 months	£6,505	[illegible]	[illegible]
Wolfram 22.04 lb.cif	[illegible]	[illegible]	[illegible]
Zinc cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]
Oils			
Coconut (Phil.)	[illegible]	[illegible]	[illegible]
Groundnut	[illegible]	[illegible]	[illegible]
Linseed Crude	[illegible]	[illegible]	[illegible]
Palm Malayan	[illegible]	[illegible]	[illegible]
Seeds			
Copra Philip	[illegible]	[illegible]	[illegible]
Soyabean (U.S.)	[illegible]	[illegible]	[illegible]
Grains			
Barley EEC	[illegible]	[illegible]	[illegible]
Home Futures	[illegible]	[illegible]	[illegible]
Maize	[illegible]	[illegible]	[illegible]
French No. 3 Am	[illegible]	[illegible]	[illegible]
Wheat			
No. 1 Red Spring	[illegible]	[illegible]	[illegible]
No. 2 Hard Winter	[illegible]	[illegible]	[illegible]
English Milling	[illegible]	[illegible]	[illegible]
Cocoa Shipment	[illegible]	[illegible]	[illegible]
Future Sept.	[illegible]	[illegible]	[illegible]
Coffee Future Sept.	[illegible]	[illegible]	[illegible]
Cotton 'A' Index	[illegible]	[illegible]	[illegible]
Rubber kilo	[illegible]	[illegible]	[illegible]
Sugar (Raw)	[illegible]	[illegible]	[illegible]
Woottops 64s Kilo	[illegible]	[illegible]	[illegible]

* Nominal. † New crop. ‡ Unquoted. & August. [illegible] p July-Aug. [illegible] ton.

INDICES

FINANCIAL TIMES

July 18	July 17	Month ago	Year ago
235.34	235.34	243.37	250.26

(Base: July 1, 1952=100)

REUTER'S

July 18	July 17	Month ago	Year ago
1425.0	1430.7	1496.8	1531.9

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	July 18	July 17	Month ago	Year ago
Spot	351.27	352.18	353.75	354.16
Futures	355.75	359.01	365.20	356.96

(Average 1924-25-26=100)

MOODY'S

Moody's	July 18	July 17	Month ago	Year ago
Spple Commodity	911.0	911.2	928.8	881.3

(December 31, 1931=100)

COTTON

LIVERPOOL COTTON—Spot and shipment sales amounted to 12 tonnes, bringing the total for the week so far to 239 tonnes. Little interest was displayed in securing new supplies. Buyers resisted prices and negotiations were chiefly in [illegible]

U.S. Markets

Cocoa and coffee fall; sugar weak

NEW YORK, July 18.

COCOA initially rallied on Commission House stop-loss buying then [illegible] [illegible]

RESIDENTIAL PROPERTY

PERSONAL

CLUBS

STOCK EXCHANGE REPORT

Equities react on fears of extended dividend control

Well-covered companies vulnerable—Share index falls 6.9

A report that the Government is planning to introduce legislation soon to extend dividend restraint beyond the end of the month led to a reversal of the previous eight-day firmness in equity markets. Another contributory factor was publicity given to the further fall in longer-leading indicators released by the Central Statistical Office, and its message that the economic recovery could falter next year.

Enthusiasm generated by Monday's late postponement of the special deposits recall until September 11 evaporated as buyers decided to withdraw in the face of initial small selling. The pressure increased when an attempted *afternoon rally faded abruptly* and the market weakened further with the result that the Industrial Ordinary share index closed at the day's lowest of 472.4, down 6.9.

Especially vulnerable were companies *with above-average* dividend covers, which have been stimulated recently by dividend possibilities. Shell, for instance, reacted 15 to 560p, while GEC and Unilever recorded falls of around 8p, the upper range of the losses in other index constituents.

Conditions were not ideal for first-time dealings in **Cartiers**, which was heavily oversubscribed, but interest was very lively and turnover finally assessed in the region of over 2m shares; after opening at 71p, the price rose as stag selling was absorbed and the close was 73p, after a peak of 75p.

Unimpressed by the outcome of the Bonn meeting the market in *Gilt-edged securities* was content to await tomorrow's money stock figures. A continuation of extremely tight conditions in money markets inhibited business again in the shorts which registered marginal falls, while the longer maturities eased similarly after the official close.

Limited support in a thin and sensitive market took rates for investment currency higher again and the premium closed 1¾ up at 108¼ per cent; the demand was mainly for the purpose of investment in U.S. securities. Yesterday's SE conversion factor was 0.6621 (0.6732).

The volume of business in Traded Options reached record levels yesterday when the number of contracts done breached the 1,000 mark for the first time and reached a total of 1,249. The bulk of the trade was done by midday when 918 deals were transacted. This heavy trade took place ahead of today's expiry of the July series and tomorrow's start in the new April 1979 series. A particularly hectic session was seen in Land Securities in which 424 trades were done, 367 in the October 220 series, while ICI totalled 183 and BP 124. BP's July 800 series ran back 14 to 54p and the October 900 relinquished 8 to 28p.

Following the reverse takeover of Reid and Lee, motor traders, *dealings were resumed yesterday* in Euray which opened at 10p and closed at 11p.

Banks easier

A firm market recently on *buying* ahead of the interim dividend season and on Monday's announcement of a two-month postponement in the recall of special deposits, the major clearing banks encountered light profit-taking and drifted lower with the general trend. **Lloyds** cheapened 7 to 275p, while **Barclays softened** 5 to 327p as did **Midland**, to 360p, and **NatWest**, to 280p. Elsewhere, **Union Discount** put on 5 to 315p in anticipation of today's first-half results. **London Scottish Finance** lost 5 to 35p among Hire Purchases but **Provident Financial** hardened 2 to 94p.

Apart from **Hogg Robinson**, which improved 3 to 187p, after 188p, in response to the higher annual profits and proposed 50 per cent scrip issue, Insurances *mirrored the general dull trend*. **Sun Alliance** gave up 8 to 510p and **General Accident**, 212p, and **Guardian Royal Exchange**, 218p, declined 4 apiece.

Buildings again traded fairly quietly and the majority of *movements were small and irregular*. **Wettern Bros.** were outstanding at 103p, down 8, following the further rejection of the offer worth 120p per share from **W. and J. Glossop. Brown and Jackson** encountered further *support and put on 4 more* to 143p, but news of the £2.03m rights issue left **Wm. Leech** 2 cheaper at 83p. **Armitage Shanks** hardened 2 to 73p in response to favourable Press mention, while the annual results, proposed one-for-two scrip issue and encouraging statement on prospects prompted a similar gain to 102p in **Magnet and Southerns**. Rises of 2 were also marked against **John Carr**, 30p, and **Higgs and Hill**, 82p, but the liquidation *of recent speculative positions* left **Norwest Holst** 5 lower at 87p.

ICI gave ground in the face of scattered offerings and lack of support to close around the day's lowest with a fall of 7 at 385p.

GEC on offer

GEC fell 8 to the day's lowest of 267p reflecting market fears of further dividend restraint. Other price movements *in Electricals* were limited to a few pence in either direction. **Westinghouse**, at 54p, gave up half of the previous day's Press-inspired gain of 4, but substantially increased earnings left **Jones Stroud** 2 better at 87p.

Leading Stores contributed to the dull trend. **Marks and Spencer** declined 4 to 154p and **Gussies A** closed a similar amount cheaper at 280p: the latter's preliminary results are due tomorrow. Elsewhere, **Status Discount** cheapened 7 more to 173p on further consideration of the interim results and **Lee Cooper** relinquished 5 to 120p *in a thin market*.

Engineering leaders turned *reactionary in thin trading*. **Tubes**, 10 lower at 366p, led the retreat followed by **John Brown**, 398p, and **Hawker**, 212p, which fell 6 apiece, while **GKN** finished 3 off at 267p. Elsewhere, **Staveley Industries** at 290p, encountered profit-taking and lost 6 of the previous day's advance of 14 which followed investment support and news of the acquisition of Electroscale Corporation of California. **Peter Brotherhood** declined 3 to 128p following the disappointing results and **APV** ended 5 off at 225p. **ML**, on the other hand, moved up 6 to 126p on buying in a thin market and **British Northrop** improved 3 to 84p. Up 15 the previous day in response to the 125p per share cash bid from the Birmingham and Midland Counties Trust, **Weston-Evans** edged forward a penny more to 126p.

J. B. Eastwood featured Foods, jumping 33 to match the Imps cash offer of 160p, a premium of 28p per share on the original offer tabled by the U.S. concern Cargill. **Bishop's Stores** contrasted *with a reaction of 5 to 150p*, while similar losses occurred in **Associated Dairies**, 229p, and **Taverner Rutledge**, 80p. Among Hotels and Caterers, **Grand Metropolitan** gave up 2½ to 106½p and **Wheeler's Restaurants** eased *5 to 340p*.

Misc. leaders down

A Press report suggesting that the Government is planning to introduce a Bill at the end of the month to extend dividend controls unsettled the **Miscellaneous** Industrial leaders which turned lower in thin trading. **Unilever** lost 8 to 532p as did **Glaxo** to 567p, while **Beecham** relinquished 7 to 663p and **Metal Box** 4 to 322p. **Pilkington**, up 18 the previous day on buying ahead of next month's 100 per cent scrip issue, closed 5 down at 353p, after 550p. **Reed International**, on the other hand, moved up 3 to 143p, after 146p, following an encouraging set of interim figures from a South African subsidiary. **BTR** were firm among secondary concerns, rising 6 to 287p following details of further U.S. expansion moves, and **Syltone** added 5 to 137p on the higher profits. **Western Board Mills** improved 3 to 73p, also after trading news, and **Zetters** edged forward 2 to 34p in response to the chairman's remarks about the Royal Commission's report on gambling.

Motors and Distributors mirrored general market conditions, easing back on small selling and lack of interest. **Rolls-Royce**, at 96p, lost 1½ of the previous day's rise of 3½, while **Lucas Industries**, 301p, and **Dunlop**, 77p, shed 3 apiece. Still reflecting adverse Press mention, **Wilmot-Breeden** eased 1½ more to 64½p. Small selling clipped 4 from **Lookers** at 63p. Against the trend, **Kwik-Fit** hardened 2 to 51½p and **Flight Refuelling** rose 4 to 156p.

Newspapers presented a rather mixed appearance. **Daily Mail "A"** gave up 5 to 323p while **Associated** eased 2 to 168p following the full report. On the other hand, **News International**, 255p, and **Independent**, 150p, firmed 2 and 3 respectively. Elsewhere, **Gordon and Gotch**, a good market of late, came back 5 to 78p; the preliminary results are due tomorrow.

Properties failed to escape the dull trend. *Nevertheless, selling* was only light and losses were limited to around 5. Among the leaders, **Land Securities** ran back 4 to 215p after the previous day's improvement of 6. Elsewhere, **Hammerson "A"** reatcted 5 to 555p and *losses of 4* were marked against **Haslemere**, 232p, **Stock Conversion**, 244p, and **Property Security**, 156p. Dealings resumed in **Rosehaugh**, now a property company, the shares opening at 195p and closing at 185p *compared with the suspension price of 164p*.

Oils on offer

Leading Oils took a distinct turn for the worse yesterday, *scattered light selling in the prevailing* thin conditions soon being reflected in prices. **British Petroleum** reacted 14 to 852, while **Shell**, particularly unsettled by fears of continuing dividend restraint, dipped 15 to 560p. Dollar premium influences, however, were mainly responsible for a further improvement of ⅜ to 48¾ in **Royal Dutch**. Elsewhere. **Ultramar** gave up 7 to 266p and **Oil Exploration** 6 to 216p, but **Siebens (UK)** turned better after the recent speculative shake-out and picked up 6 to 376. **KCA International**, up a penny at 28p, benefitted from the company's statement on its current financial position.

Still reflecting Far Eastern demand, **Sime Darby** rose 5 to 109p.

Although *business in Investment Trusts* was at a low ebb, price movements were usually to slightly higher levels. **Foreign and Colonial** edged forward 2½ to 170½p in front of today's interim report, while **Anglo-International Asset**, 140p, and *City and International*, 106p, put on 3 apiece. Among Overseas issues, **Rolinco** hardened 1½ to £46½ and **Robeco** 1½ to £62½.

Jardine Japan held at 162p, just short of the 1978 high of 164p; the shares were wrongly listed in yesterday's issue as having recorded a new low for the year.

In Textiles, **Illingworth Morris** edged forward a penny to 31p on the substantially improved earnings. *Mackinnon of Scotland*, still on Press comment, picked up a penny at 52½p for a two-day rise of 14, while gains of 2 were seen in **Allied**, 155p, and **Tricoville**, 65p.

Because of a technical error, some *Fixed Interest price indices* and yields for July 14 were incorrect in our issue of July 15. The corrected yields were shown in yesterday's issue. For the record, the July 14 price index for Over 15-year British Government stocks should have been shown as 120.71 and that for All stocks as 112.77.

Guthries figured prominently in Rubbers, rising 12 to 337p in active trading in the wake of renewed *Far Eastern* demand. Reflecting dollar premium influences, **Kuala Lumpur Kepong** hardened 3 to 79p and **Highlands** 4 to 122p. Teas proved an isolated dull feature in **Warren**, down 7 at 218p, on further consideration of the chairman's *statement at the* annual meeting.

Golds edge up

A further improvement in the investment currency premium coupled with a continuing modest Cape demand prompted small gains in South African gold shares for the third successive trading day.

The steadiness of the bullion price—finally 50 cents harder at $184.875 per ounce—also helped to keep prices on an even keel.

Most of the Cape interest was directed towards the "Johnnies" group producers following the appreciably higher June quarter profits. **Randfontein** rose ⅝ to £34⅞, **Western Areas** 14 to 180p and **Elsburg** 5 to 117p.

Consideration of the sharply increased profit caused **Harmony** to advance 11 more to 380p.

On the other hand, the Anglo-Vaal group's **Hartebeest** were unaltered at £13 despite improved profits for the June quarter. The *Gold Mines index added* 1.3 more to 162.6.

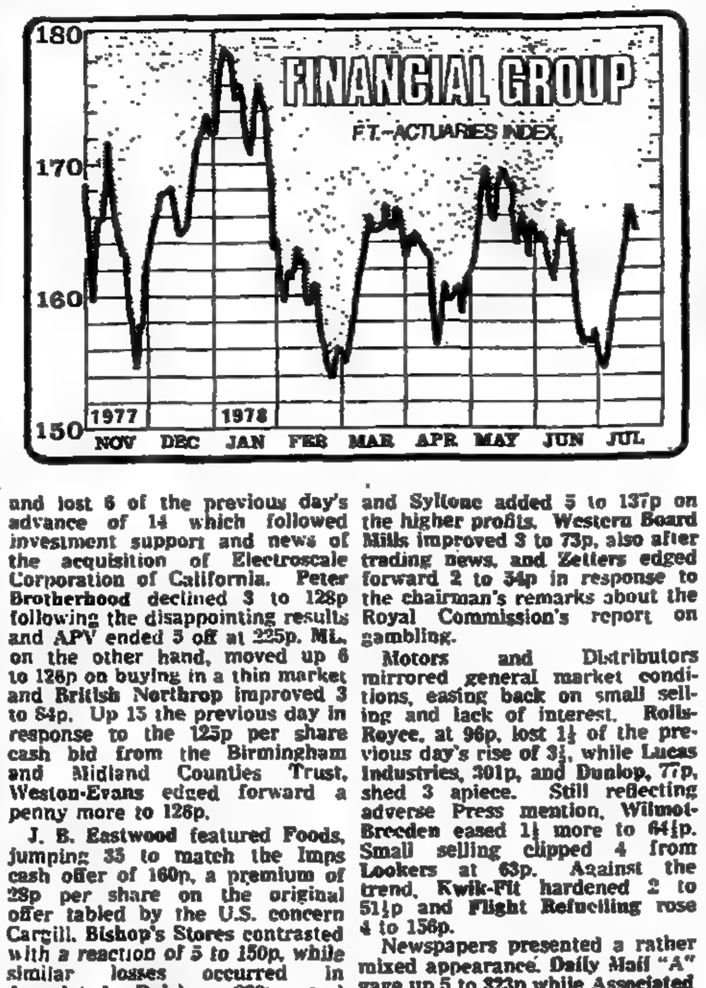
South African Financials moved ahead in line with Golds. **De Beers** were outstanding with a *rise* of 6 to 389p. London-based issues, however, tended to lose ground in line with UK equities. **Gold Fields**, 174p, and **Rio Tinto-Zinc**, 218p, both eased 3.

A marginally easier trend in overnight domestic markets was offset by the rise in the investment premium and Australians consequently remained steady in subdued trading.

Interest was also negligible in the Irish/Canadian section. **Westfield Minerals** relinquished 8 of the previous day's 42 rise and closed at 142p.

Elsewhere, **Murchison** fell 10 to 235p following the loss in the June quarter but aggressive buying from the Cape lifted **Afrikander Lease** by 20 to 265p.

"**Tanks**" rose 5 to 160p following reports that Zaire and Angola *have agreed to reopen* the Benguela Railway.



FINANCIAL TIMES STOCK INDICES

—	July 18	July 17	July 14	July 13	July 12	July 11	A year ago
Government Secs.	70.50	70.50	70.26	70.02	69.98	70.11	66.60
Fixed Interest	71.60	71.49	71.68	71.79	71.77	71.82	67.72
Industrial Ordinary	472.4	479.3	474.4	473.6	473.5	467.3	446.3
Gold Mines	162.6	161.5	160.6	159.0	160.1	159.5	119.6
Ord. Div. Yield	5.63	5.56	5.60	5.60	5.58	5.66	5.39
Earnings Y'ld% (full)(*)	17.10	16.86	17.01	17.00	16.95	17.16	16.08
P/E Ratio (net)(*)	7.81	7.92	7.86	7.84	7.85	7.75	9.00
Dealings marked	4,757	4,321	4,173	4,061	4,270	4,672	5,878
Equity turnover £m	—	68.07	70.95	81.71	81.32	87.41	58.60
Equity bargains total	—	14,764	15,735	17,343	18,287	19,386	18,110

10 am 477.1. 11 am 473.6. Noon 474.2. 1 pm 474.2. 2 pm 473.5. 3 pm 473.6.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=7.64.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (8/5)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 18	July 17
—Daily		
Gilt-Edged	158.3	165.3
Industries	169.8	149.2
Speculative	24.9	28.1
Totals	108.3	98.4
5-day Av'rage		
Gilt-Edged	144.0	146.4
Industrials	151.1	148.7
Speculative	28.3	30.9
Totals	96.2	97.9

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (102)

FOREIGN BONDS (2)
CANADIANS (1)
BANKS (2)
BUILDINGS (9)
CHEMICALS (1)
DRAPERY & STORES (8)
ELECTRICALS (4)
ENGINEERING (5)
FOODS (3)
INDUSTRIALS (15)
INSURANCE (1)
MOTORS (2)
PAPER & PRINTING (1)
SHOES (1)
TEXTILES (4)
TRUSTS (37)
RUBBERS (1)
TEAS (3)
MINES (4)

NEW LOWS (15)

BUILDINGS (1)
Streeters
ELECTRICALS (1)
Rediffusion
FOODS (2)
Bishop's Stores Tavener Rutledge
INDUSTRIALS (8)
Brady Inds. P.M.A.
Bridgend Processers Spear (J. W.)
Hanimex Sterling Inds.
Macarthy's Pharm. "W" Ribbons
Monument
SHIPPING (1)
Reardon Smith
OVERSEAS TRADERS (1)
Lonrho

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 18	July 31	Oct. 12	Oct. 24
Aug. 1	Aug. 14	Oct. 26	Nov. 7
Aug. 15	Aug. 29	Nov. 9	Nov. 21

For rate indications see end of Share Information Service

Money was given for the call in Associated Fisheries, P and O Deferred, Matthew Clark, UDT, Town and City Properties, British Land, MFI Furniture, Smith and Nephew, Manchester Garages, GRA Property Trust and Cartier Superfoods, while doubles were arranged in British Land, UDT and Town and City Properties. A short-dated call was done in Burmah Oil and a put taken out in English Property.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	23	385	− 7	398	328
Rank Org.	25p	12	240	− 6	268	220
BATs Defd.	25p	11	265	—	298	227
BP	£1	11	852	−14	896	720
GEC	25p	11	267	− 8	278	233
Dunlop	50p	10	77	− 3	90	71
Grand Met.	50p	10	106½	− 2½	117½	87
Thorn Elect.	25p	9	352	− 2	392	308
Barclays Bank	£1	8	327	− 5	358	298
RTZ	25p	8	218	− 3	234	164
Shell Transport	25p	8	560	−15	588	484
Beecham	25p	7	663	− 7	678	583
Boots	25p	7	204	− 3	231	184
Cartiers Suprfds.	20p	7	73	—	73	71
Commercial Unn.	25p	7	148	− 3	159	138

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	4	16	57
Corpns. Dom. and Foreign Bonds	13	1	50
Industrials	298	372	899
Financial and Prop.	100	132	285
Oils	8	9	17
Plantation	10	2	20
Mines	52	26	50
Recent Issues	6	5	30
Totals	491	561	1,378

LONDON TRADED OPTIONS

Option	Exercise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	105	—	125	—	145	—	855p
BP	800	55	4	85	—	108	—	„
BP	850	5	30	56	18	76	—	„
BP	900	½	—	30	70	56	2	„
Com. Union	140	8	30	15½	—	18	14	147p
Com. Union	160	½	—	7	4	11	15	„
Cons. Gold	160	12	15	24	10	27	—	174p
Cons. Gold	180	⅝	36	9	12	14	14	„
Cons. Gold	200	—	—	4½	7	6	—	„
Courtaulds	100	21½	—	25	—	26	—	121p
Courtaulds	110	11½	10	17	—	18½	—	„
Courtaulds	120	1½	18	9	7	12½	—	„
Courtaulds	130	¼	4	5½	15	8½	—	„
GEC	220	49	5	55	—	62	—	268p
GEC	240	29	—	38	—	46	5	„
GEC	260	9	19	23	—	32	—	„
GEC	280	½	11	12½	8	22	25	„
Grand Met.	100	7	15	13½	5	17½	21	106p
Grand Met.	110	½	24	6½	15	12	26	„
Grand Met.	120	—	—	3½	—	6½	15	„
ICI	330	56	26	63	25	65	4	386p
ICI	360	26	24	34	13	42	8	„
ICI	390	1½	25	14½	10	25½	6	„
ICI	420	—	4	5½	38	14½	—	„
Land Secs.	180	35	6	38	15	44	—	215p
Land Secs.	200	15	2	21	20	28	10	„
Land Secs.	220	1	—	10	367	14	4	„
Marks & Sp.	120	36	—	38	15	41	—	155p
Marks & Sp.	140	16	—	21	—	24	—	„
Marks & Sp.	160	½	—	7½	12	13	7	„
Shell	500	65	1	82	—	86	—	562p
Shell	550	15	5	40	1	54	1	„
Shell	600	½	24	15	60	30	2	„
Totals			336		732		181	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
75	F.P.	30/6	92	85	Bramall (C.D.)	87½	—	t4.5	3.1	7.8	4.7
55	F.P.	[illegible]	[illegible]	[illegible]	Cartiers Superfoods	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Barrett [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
85	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
54	F.P.	[illegible]	[illegible]	[illegible]	Thames Plywood	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
$A2.75	Nil	[illegible]	[illegible]	[illegible]	ANZ	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., July 18, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Mon. July 17 Index No.	Fri. July 14 Index No.	Thurs. July 13 Index No.	Wed. July 12 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	215.93	−1.0	17.55	5.66	7.91	218.17	216.02	215.39	215.33	181.69
2	Building Materials (28)	193.78	−0.4	17.93	5.68	7.88	194.64	192.27	192.51	192.16	151.76
3	Contracting, Construction (27)	341.39	−0.3	20.50	4.29	7.10	342.44	341.25	340.87	339.95	245.70
4	Electricals (15)	463.62	−2.3	14.85	4.00	9.51	474.55	468.63	467.86	469.14	365.08
5	Engineering Contractors (14)	318.48	−0.7	18.84	6.41	7.07	320.71	320.06	320.60	319.92	265.03
6	Mechanical Engineering (72)	173.57	−0.8	18.57	6.19	7.30	174.95	173.44	172.10	172.11	162.77
8	Metals and Metal Forming (16)	164.55	−0.5	17.34	8.55	7.86	165.34	163.32	162.64	162.26	148.79
11	CONSUMER GOODS (DURABLE) (52)	197.73	−0.6	17.54	5.29	8.00	198.98	198.53	199.19	198.08	171.93
12	Lt. Electronics, Radio TV (15)	234.78	−0.5	15.99	4.35	8.83	236.01	235.49	236.17	234.66	280.37
13	Household Goods (12)	176.45	+0.2	16.72	6.43	8.25	176.03	175.44	175.36	175.35	160.46
14	Motors and Distributors (25)	123.67	−1.0	20.10	6.47	6.95	124.92	124.64	125.26	124.56	109.48
21	CONSUMER GOODS (NON-DURABLE) (174)	202.67	−0.9	15.93	5.90	8.49	204.55	203.64	203.44	202.35	166.30
22	Breweries (14)	220.67	−1.5	15.46	6.16	9.20	224.01	222.89	221.71	222.70	175.57
23	Wines and Spirits (6)	260.90	−1.1	16.40	5.55	9.25	263.67	263.22	264.42	260.82	201.64
24	Entertainment, Catering (17)	249.64	−1.0	15.76	6.96	9.28	252.20	250.12	249.43	248.75	209.03
25	Food Manufacturing (21)	197.49	−0.3	19.13	5.63	6.91	198.12	196.30	195.89	195.60	173.62
26	Food Retailing (15)	206.69	−0.6	14.14	4.93	9.76	207.91	207.84	208.20	207.27	174.10
32	Newspapers, Publishing (13)	395.02	−0.1	10.11	3.17	14.11	395.49	396.06	397.52	398.05	301.56
33	Packaging and Paper (15)	135.47	−0.1	19.39	7.83	6.81	135.66	134.67	134.40	134.48	119.59
34	Stores (39)	185.44	−1.3	11.36	4.77	12.91	187.96	187.41	187.98	186.89	144.82
35	Textiles (25)	178.11	−1.2	18.58	7.78	6.97	180.30	179.02	178.18	178.47	164.37
36	Tobaccos (3)	246.58	−0.8	22.25	7.59	5.30	248.55	248.27	246.51	248.01	198.79
37	Toys and Games (6)	107.56	−0.6	18.90	5.80	6.46	108.24	108.09	107.80	107.85	99.61
41	OTHER GROUPS (97)	198.64	−1.0	16.16	5.77	8.10	200.63	199.08	198.49	197.40	178.81
42	Chemicals (19)	287.05	−1.2	17.25	6.09	7.87	290.67	286.74	284.40	282.21	250.55
43	Pharmaceutical Products (7)	259.80	−0.9	11.13	3.95	11.18	262.14	261.15	259.37	260.45	0.00
44	Office Equipment (6)	128.18	−1.8	18.69	5.07	6.33	130.57	130.04	133.32	132.29	105.18
45	Shipping (10)	402.57	−0.7	18.00	7.61	6.84	405.24	404.74	404.40	401.71	486.86
46	Miscellaneous (55)	206.45	−0.7	17.36	6.41	7.68	207.83	206.62	206.45	204.67	175.50
49	INDUSTRIAL GROUP (495)	211.49	−0.9	16.50	5.77	8.21	213.51	212.14	211.78	210.90	179.82
51	Oils (5)	489.19	−2.1	15.09	4.04	7.19	499.62	497.52	500.41	504.88	506.89
59	500 SHARE INDEX	234.57	−1.1	16.28	5.51	8.04	237.22	235.77	235.65	235.14	206.11
61	FINANCIAL GROUP (100)	164.78	−1.1	—	5.75	—	166.68	164.28	163.96	162.49	136.95
62	Banks (6)	190.50	−1.6	23.99	5.90	6.31	193.51	190.49	187.52	185.47	156.29
63	Discount Houses (10)	204.91	+0.9	—	8.44	—	203.10	203.34	204.17	204.12	176.02
64	Hire Purchase (5)	152.81	−1.3	12.79	5.37	11.58	154.85	152.17	152.17	149.36	130.26
65	Insurance (Life) (10)	136.18	−0.8	—	6.69	—	137.30	134.82	136.21	133.90	105.76
66	Insurance (Composite) (7)	125.65	−1.6	—	6.79	—	127.65	125.39	125.67	124.17	109.47
67	Insurance Brokers (10)	339.86	+0.1	13.85	4.61	10.34	339.50	338.03	340.01	338.72	382.82
68	Merchant Banks (14)	79.93	−0.4	—	6.13	—	80.28	79.46	79.82	78.59	66.59
69	Property (31)	234.91	−1.2	2.95	3.17	67.78	237.69	234.05	234.64	234.83	185.73
70	Miscellaneous (7)	105.51	−0.1	24.07	7.92	5.41	105.58	105.42	104.70	104.68	88.63
71	Investment Trusts (50)	220.52	−0.2	3.15	4.62	31.75	221.04	218.74	218.73	218.15	172.07
81	Mining Finance (4)	98.77	−1.1	17.86	7.04	6.82	99.91	100.19	100.46	101.28	92.77
91	Overseas Traders (19)	316.21	−0.3	16.56	6.75	7.42	317.08	316.47	316.42	316.25	275.89
99	ALL-SHARE INDEX (673)	216.78	−1.1	—	5.56	—	219.11	217.48	217.37	216.67	187.94

FIXED INTEREST PRICE INDICES

	British Government	Tues. July 18	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.85	−0.03	—	4.91
2	5-15 years	114.55	+0.01	—	5.10
3	Over 15 years	120.62	−0.00	—	7.71
4	Irredeemables	126.56	—	—	7.88
5	All stocks	112.89	−0.01	—	6.25

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. July 18	Mon. July 17	Year ago (approx.)
1	Low	5 years	8.76	8.76	7.89
2	Coupons	15 years	10.91	10.91	11.72
3		25 years	11.60	11.60	12.68
4	Medium	5 years	11.55	11.48	10.61
5	Coupons	15 years	12.13	12.12	12.57
6		25 years	12.18	12.13	12.83
7	High	5 years	11.66	11.63	[illegible]
8	Coupons	15 years	12.62	12.61	[illegible]
9		25 years	12.64	12.61	[illegible]
10	Irredeemables		11.63	11.63	12.85

		Tues. July 18 Index No.	Tues. July 18 Yield %	Mon. July 17	Friday July 14	Thurs. July 13	Wed. July 12	Tues. July 11	Mon. July 10	Friday July 7	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.94	13.02	56.94	56.80	56.63	56.76	56.72	56.72	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	51.55	13.78	51.51	51.55	51.59	51.69	51.59	51.59	[illegible]	51.68
17	Coml. and Indl. Prefs. (20)	70.04	13.21	70.04	70.03	70.04	70.13	70.09	70.14	[illegible]	69.82

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

APPOINTMENTS

Senior executive changes at International Paint

Mr. C. A. Hogg, who is also a deputy chairman of Courtaulds, *has now left the board of INTERNATIONAL PAINT* to devote more time to other commitments within the Courtaulds Group. As previously anounced, his successor as chairman of International Paint is **Mr. R. M. Woodhouse**, who has been group *managing* director since 1972 and a Courtaulds director since 1976. **Mr. G. E. (Eryl) Morris** succeeds Mr. Woodhouse as group managing director. **Mr. R. A. Fidler**, **Mr. B. D. Hedley**, **Mr. T. B. Lemmon**, **Mr. A. M. O'Malley** and **Mr. G. A. Uphill-Brown** were recently elected to the International Paint board, and their appointments were confirmed at its recent annual meeting. **Mr. Eric Marquand**, who had served almost 40 years with the group, retired and did not seek re-election. **Mr. Dennis Fagg** leaves the board for personal reasons, but will continue as chairman of Drums.

★

RACAL SAFETY is a new Racal company formed from the safety products division of Racal-Amplivox. **Mr. Jim Diggins** is chairman of the new company and **Mr. Geoffrey Westcott** has been appointed managing director. Other senior executives are **Mr. John Hilton**, technical director; **Mr. William Cole**, works director; and **Mr. Stewart Kinchuck**, financial director.

★

Mr. Henry R. Balmer has been appointed managing director of SIDNEY FLAVEL, part of Glynwed Domestic and Heating Appliances. Mr. Balmer was previously with EMI and earlier was managing director of Valor Heating.

★

Mr. Geoffrey A. Rason has been appointed managing director of EXTEL STATISTICAL SERVICES on the retirement of **Mr. Gilbert P. Bartholomew**.

★

Mr. R. M. Bull, **Mr. J. A. Daniels**, **Mr. M. D. T. Faber**, **Mr. K. A. Field**, **Mr. H. Gort**, **Mr. R. M. Illingworth**, **Mr. R. Jupe** and **Mr. D. E. Savidge** have been appointed directors of WILLIS FABER AND DUMAS.

★

Mr. G. Anthony Hepworth is to resign from the board of ASSOCIATED ENGINEERING to further other business interests from August 31.

★

Mr. J. B. Rogers has been made managing director of MANCHESTER SECURITIES, an associate company of Halliday Simpson and Co.

★

Mr. J. H. Bloor has been appointed managing director of PARNALL AND SONS *(a member of the Avery Group)*, following the retirement of **Mr. S. A. Thompson**.

★

Mr. W. M. Forrest, group personnel director of the Distillers Company, has been appointed an employer member of the FOOD DRINK AND TOBACCO INDUSTRY TRAINING BOARD. This appointment completes the reconstitution of the board.

★

Mr. P. G. Braithwaite, **Mr. A. Dawe** and **Mr. A. G. Macleod** have been appointed to the board of *HOGG ROBINSON SERVICES*, part of the Hogg Robinson Group.

★

Mr. Tom Clark, *chief manager* of Lloyds Leasing, has been appointed chairman of the EQUIPMENT LEASING ASSOCIATION. *He succeeds* **Mr. Stuart Errington**, deputy chairman of Barclays Mercantile Industrial Finance, who has completed his two-year term as chairman. **Mr. Leslie Christmas**, a director of Bowmaker, has become vice-*chairman of the association*.

★

Mr. John Ginty is to become chairman of CLEVELAND AREA HEALTH AUTHORITY in succession to **Mr. George Chetwynd**, who has been appointed chairman of *the Northern RHA*: **Mr. Simon Schanschieff** has been appointed chairman of the Northamptonshire AHA in succession to **Mr. Gordon J. Roberts**, who is to become chairman of Oxford RHA: and **Mr. Raymond Frostick** is to be chairman of Norfolk AHA, replacing **Sir Arthur South**, who will be chairman of East Anglian RHA. All the above appointments are from August 1.

★

Mr. Peter Land has been made group managing director, BRITISH TRANSPORT HOTELS. Mr. Land, at present director of corporate planning, National Freight Corporation, also joins the main BTH Board. **Mr. Ian Jack**, a member of the BTH main Board, was appointed managing director *of the hotels division following* the recent reorganisation of the company. He now becomes, in addition, vice-chairman of the hotels division Board.

★

Mr. Peter Holden has been *appointed to the new post of* corporate planning director of BLUE CIRCLE INDUSTRIES. He was formerly planning and development director of Reed Building Products.

★

Mr J. Ross Finnie has been appointed a director of JAMES FINLAY CORPORATION and head of its corporate finance department. **Mr. Raymond Kirk** has become a director of the Corporation with responsibility for energy-related *activities*.

★

Mr. D. H. Gardner of MEL, a division of Philips Electronic and Associated Industries, has taken over the chairmanship of the CBI CONTRACTS PANEL in succession to **Mr. G. M. Evans**, who has retired. Mr. Gardner is manager of the central commercial division of MEL and is also chairman of the Electronic Engineering Association Contracts Advisory Committee.

★

Mr. R. J. Warren has been appointed a director of ARGUS PRESS HOLDINGS and the Argus Press. Mr. Warren is a director of Electrical Press and other companies within the B.E.T. Group.

★

Mr. Charles Band, who has been made general manager and director of CXJB UNDERWATER ENGINEERS, is a former managing director and chief executive of Burmah Oil (North Sea). Prior to joining CJB Offshore he was a principal secretary in the *petroleum engineering division of* the Department of Energy.

★

Mr. Michael J. Davies, general manager of Dowty Seals' Newton, Powys, factory since 1973, has been appointed a director of MALTA RUBBER, a Dowty Group industrial division company.

★

Mr. J. W. Dyer has been appointed to the Board of ASHBY and HORNER, and continues as a director of Ashby and Horner Holdings. **Mr. T. Lippiatt** has joined the Board of ASHBY and HORNER MASONRY, and **Mr. D. Gaskell** remains managing director.

★

Mr. A. D. Reynolds has been appointed a director of the BRITISH ALUMINIUM COMPANY in succession to **Mr. G. W. Walters**, who has resigned. Mr. Reynolds is executive vice-president and European area manager of Reynolds International Inc.

★

Dr. Olle Jarleborg has been named general manager of AMAX NICKEL GmbH, a subsidiary of Amax Nickel Inc., Connecticut. He will be responsible for directing European sales and marketing activities, and will maintain his office in Dusseldorf.

★

Sir Robin Gillett, who was Lord Mayor of London 1976-77 has been elected president of the ROYAL LIFE SAVING SOCIETY—United Kingdom Branch. He succeeds *Mr. J. C. Alderson, Chief Constable* of Devon and Cornwall, who has held office for the past four years.

★

Mr. K. E. Tatum has been appointed assistant underwriter, OCEAN MARINE INSURANCE CO.

★

Mr. C. J. Aldridge has been appointed managing director of ROLA CELESTION.

★

Mr. Lionel D. Hook, company secretary and **Mr. Graham H. Raymond**, director of technology, have been appointed directors of EMI (AUSTRALIA).

★

Mr. Guy J. Caudamine has been *appointed area manager, France,* of LONDON AND CONTINENTAL BANKERS.

★

AUDIOTRONIC HOLDINGS announce the resignation of **Mr. G. B. Adler**, joint managing director of the wholesale division. He has also relinquished all other group directorships. **Mr. K. Lasky**, a main Board director, has been appointed sole managing director of the wholesale division.

★

Mr. John Maynard has been appointed assistant regional director, of NATIONAL WESTMINSTER BANK'S eastern region. He has been Manchester area manager since 1973.

★

The Chancellor of the Exchequer has appointed **Mr. A. M. Bailey** to be the deputy secretary, public services, in the TREASURY in succession to **Mr. G. S. Downey**, seconded to the Central Policy Review Staff.

INSURANCE, PROPERTY, BONDS

Confederation Life Insurance Co.
50, Chancery Lane, WC2A 1HE. 01-242 0282

♥Equity Fund	152.6	160.2	.....	—
♥Managed Fund	177.7	186.5	.....	—
♥PIP Fund	175.4		.....	—
Persnl. Pen. Magd.	72.4	76.2	.....	—
Staffed Magd. Pn.	72.6	76.2	.....	—
Group Magd. Pen.	184.8		.....	—
Fixed Int. Pen.	199.7		.....	—
Equity Pension	224.9		.....	—
Property Pension	139.4		.....	—

Cornhill Insurance Co. Ltd.
32, Cornhill, E.C.3. 01-626 5410

Cap. Feb. June 15	123.5	—	.....	—
GS Spec. June 15	52.0	—	.....	—
MnGthFd June20	164.8	178.0	.....	—

Credit & Commerce Insurance
120, Regent St., London W1R 5FE. 01-439 7081

C&C Magd. Fd.	122.0	132.0	.....	—

Crown Life Assurance Co. Ltd.♥
Crown Life Hse., Woking, GU21 1XW 04862 5033

Mang'd Fund Acc.	103.3	108.7	−0.1	—
Mang'd Fd. Incm.	103.3	108.7	−0.1	6.44
Mang'd Fd. Init.	102.6	107.9	−0.1	—
Equity Fd. Acc.	98.8	103.9	.....	—
Equity Fd. Incm.	98.8	103.9	.....	4.96
Equity Fd. Init.	98.6	103.7	.....	—
Property Fd. Acc.	96.9	101.0	+0.1	—
Property Fd. Incm.	96.0	101.0	+0.1	8.90
Property Fd. Init.	95.5	100.5	+0.1	—
Inv. Tst. Fd. Acc.	103.7	109.1	+0.3	—
Inv. Tst. Fd. Incm.	103.7	109.1	+0.3	4.92
Inv Tst. Fd. Init.	103.1	108.5	+0.2	—
Fixed Int. Fd. Acc.	96.9	101.9	+0.6	—
Fxd. Int. Fd. Incm.	96.9	101.9	+0.6	11.49
Inter'l. Fd. Acc.	114.6	120.6	.....	—
Inter'l. Fd. Incm.	114.6	120.6	.....	3.91
Money Fd. Acc.	96.1	101.1	.....	—
Money Fd. Incm.	96.1	101.1	.....	8.75
Dist. Fd. Incm.	104.1	109.5	+0.6	7.87
Crown Brt. Inv. 'A'	158.3	—	.....	—

Crusader Insurance Co. Ltd.
Vincula House, Tower Pl., EC3. 01-626 8031

Gth. Prop. July 4	76.9	88.4	.....	—

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	52.5	54.5	−0.4	6.01

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	113.8	119.7	−0.3	—
Property Fd.	106.7	112.3	+0.2	—
Fixed Interest F.	108.3	113.9	−0.1	—
Gtd. Deposit Fd.	99.4	104.6	+0.2	—
Mixed Fd.	110.7	116.5	−0.1	—

BUILDING SOCIETY INTEREST RATES

[G]REENWICH
(01-858 8212)
281 Greenwich High Road,
Greenwich, SE10 8NL.

Deposit Rate 6.45%. Share Accounts 7.80%. Sub'pn. Shares 7.85%. Term Shares 2 yrs. 1½% above share rate, 3 yrs. 2% above share rate. Interest paid quarterly on shares/term shares. Monthly income shares 6.80%.

LONDON GOLDHAWK
(01-995 8321)
15/17 Chiswick High Road,
London W4 2NG.

Deposit Rate 6.45. Share Accounts 6.95. Sub'pn. Shares 8.20.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.
PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extral. Tst.	174.0	185.0	.....	—

As at June 30. Next sub. day July 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	$HK293.94	.....	2.50
Jardine Jpn. Fd.*	$HK353.28	.....	1.00
Jardine S.E.A.	$US14.79	.....	1.80
Jardine Flem. Int.	$HK20.95	.....	—
Intl Pacific Secs.	$HK12.47	.....	—

NAV June 30. *Equivalent $US75.97. Next sub. July 14.

Keyselex Mngt., Jersey Ltd.
PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Frs1,388	1,523	.....	2.60
Bondselex	Frs119.35	125.60	.....	—
Keyselex Int'l	£6.64	7.46	.....	—
Keyselex Europe	£3.94	4.45	.....	3.71
Japan Gth. Fund	$US26.56	28.60	.....	—
Keyselex Japan	£13.56	15.06	.....	—
Cent. Assets Cap.	£134.60		.....	—

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg.

U.S. Tst. Inv. Fnd.	$10.69	+0.04	0.94

Net asset July 17.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

Cnv. Bd. July 17	$US9.66		...	—
Engy Int. July 17	$US17.95		+0.07	—
Gr. St. $Fd. June 30	$US7.08		...	—
MercEbdFd July12	$US10.19	10.30	....	0.2010

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. June 29	$US12.35	12.67	.....	—
CMT Ltd. June 29	£12.77	13.10	.....	—
Metals Tst. June 16	£12.17	12.47	.....	—
TMT July 14	$US10.39	10.57	.....	—
TMT Ltd. July 14	£10.36	10.65	.....	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US15.61	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 470-475

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† Property Growth 10¼%
† Vanbrugh Guaranteed 9.50%

† Address shown under Insurance and Property Bond Table

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FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or –	Div. % Gross	Red. Yield
24	17	Antofagasta Rly	24	+1	—	—
40	33	Do. 5pc Pref	40	+2	—	—
98	98	Chilean Mixed	98xd		—	£3.10
415	360	German Yng. 4½pc	405		4½	—
54	46	Greek 7pc Ass.	54		3½	£6.48
51	46	Do. 6pc '28 Stab. Ass.	51		6	£6.00
44	40	Do. 4pc Mixed Ass.	43xd		4	£4.65
55	42	Hung. '24 Ass.	55		4½	5.00
77	65	Ireland 6½pc '83-88	65		—	12.60

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 51% (based on US$1.8832 per £)
Conversion factor 0.6821 (0.6782)

CANADIANS

S.E. List Premium 51% (based on $2.1196 per £)

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[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
210	155	Falcon Rh 50c	175	......	Q50c	1.3	24.4
24	15	Rhod'n Corp. 16½p	16	......	0.56	7.1	5.3
80	52	Roan Cons. K4	67	......	—	—	—
175	122	Tanganyika 50p	160	+5	Q10.0	1.2	6.2
90	78	Do. Pref 80p	87	......	Q9%	16.3	8.3
41	32	Wankie Col. Rh.1	35	......	†Q7½c	1.4	18.3
16½	10	Zam.Cpr SBD0.24	14	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
15	10	Acmex 25c	14	....	—	—	—
132	64	Bougainville 50 Toea	121	....	Q8c	1.4	4.1
125	63	BH South 50c	110	+1	—	—	—
820	150	Central Pacific	550	......	—	—	—
246	148	Conzinc Riotinto 50c	244	+2	Q10c	2.2	2.6
72	45	G.M. Kalgoorlie $1	46	+1	—	—	—
140	81	Hamptn Areas 5p	134xd	....	t3.5	2.0	4.0
40	10	Metals Ex. 50c	29	+1	—	—	—
220	125	M.I.M. Hldgs. 50c	206	....	Q9c	1.7	2.7
39	10	Mount Lyell 25c	28	......	—	—	—
6½	1½	Newmetal 10c	4½	....	—	—	—
143	79	North B. Hill 50c	124	+3	Q8c	1.5	4.0
16	8½	Nth. Kalgurli	13	....	—	—	—
178	117	Oakbridge $A1	167	−1	†Q11c	1.9	4.1
50	30	Pacific Copper	47	....	—	—	—
£14¾	750	Pancont'l 25c	£13½	+¼	—	—	—
40	12	Paringa M&Ex.5p	35½	−1½	—	—	—
538	310	Peko-Wallsend 50c	520	+5	Q15c	4.0	1.8
300	50	Southern Pacific	218	+8	—	—	—
160	84	Westn. Mining 50c	144	....	‡Q6c	1.4	‡
70	35	Whim Creek 20c	50	−2	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
30	24	Amal. Nigeria	25	.....	†2.51	1.6	15.2
400	240	Ayer Hitam $M1	380	....	[illegible]	0.9	‡
60	45	Beralt Tin	52	.....	3.75	4.4	11.5
300	200	Berjuntai $M1	295	.....	‡Q110c	ϕ	‡
145	111	Geevor	135	.....	h4.51	3.4	5.1
10	8½	Gold & Base 12½p	9½	......	—	—	—
300	220	Gopeng Cons.	295	.....	15.0	0.9	7.8
165	130	Hongkong	160	......	—	—	—
93	78	Idris 10p	85	......	12.0	1.6	22.6
11	10	Jantar 12½p	10	......	—	—	—
77	68	Kamunting $M0.50	77	.....	2015.5c	0.7	4.3
510	450	Killinghall	470xd	.....	Q125	ϕ	26.7
415	280	Malay Dredging $M1	410	.....	†Q95c	0.8	5.0
73	40	♦Pahang	70	.....	‡Q3.75c	0.5	‡
62	50	Pengkalen 10p	61	.....	6.5	1.3	16.1
230	165	Petaling $M1	230	......	†Q80c	1.6	8.0
61	49	Saint Piran	54	......	g1.99	4.6	5.6
61	47	South Crofty 10p	53xd	......	4.13	2.0	11.8
220	140	South Kinta $M0.50	210	......	tQ77.8c	1.4	8.0
330	230	Sthn Malayan $M1	320	......	tQ131.5c	1.1	8.8
228	134	Sungei Besi $M1	215	......	Q65c	ϕ	6.5
78	55	Supreme Corp. $M1	78	......	ZQ10c	—	2.8
100	85	Tanjong 15p	92	......	6.5	0.8	10.7
100	74	Tongkah Hrbr $M1	92	......	[illegible]	1.6	‡
233	148	Tronoh $M1	227	......	ZQ88c	1.6	8.3

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
100	70	Messina R0.50	91	+1	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
61	35	Barymin	54	+1	—	—	—
17	9	Burma Mines 17½p	14	....	—	—	—
300	220	Cons. Murch. 10c	235	−10	‡Q30c	2.6	‡
465	245	Northgate C$1	450	+5	—	—	—
234	164	R.T.Z.	218	−3	9.5	2.8	6.6
90	30	Sabina Inds. C$1	61	+2	—	—	—
£12	750	Tara Expln. $1	850	......	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.33	ϕ	4.7
180	120	Yukon Cons. C$1	166	......	Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♦ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

" Recent Issues " and " Rights " Page 34

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	24	.....
Ash Spinning	44	.....
Bertam	21	.....
Bdg'wtr. Est. 50p	278	+11
Clover Croft	26	.....
Craig & Rose £1	480	.....
Dyson (R. A.) A	38	.....
Ellis & McHdy.	61	.....
Evered	17	−½
Fife Forge	50	.....
Finlay Pkg. 5p	23½	.....
Graig Ship £1	140	.....
Higsons Brew.	73	.....
I.O.M. Stm. £1	150	.....
Holt (Jos.) 25p	262	+2
N'thn. Goldsmith	56	.....
Pearce (C. H.)	182	+2
Peel Mills	20	.....
Sheffield Brick	45	.....
Sheff. Refrshmt.	52	.....
Sindall (Wm.)	103	.....

IRISH

Conv. 9% '80/82	£91⅛	+⅛
Alliance Gas	65	.....
Arnott	340	.....
Carroll (P.J.)	98	.....
Clondalkin	100	+2
Concrete Prods.	130	.....
Heiton (Hldgs.)	40	.....
Ins. Corp.	160	.....
Irish Ropes	130	.....
Jacob	62	.....
Sunbeam	30	−1
T.M.G.	173	.....
Unidare	90	.....

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	4	Intreuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadbury's	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mrks. & Spncr	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West. Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	14
Guardian	18	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday July 19 1978

AFTER THE BONN SUMMIT

Japan plans new measures

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, July 18

MR. TAKEO FUKUDA, the Japanese Prime Minister, said today that his Government was planning new measures to make it easier for foreign Governments and companies to borrow on the Japanese capital market, and to encourage increased overseas investment by Japanese industry.

These actions would be in addition to the measures to which Japan committed itself at the end of the seven-nation economic summit in Bonn yesterday, which were intended specifically to bring about a reduction of the surplus on its current account.

Mr. Fukuda, in Brussels on the first official visit ever made by a Japanese Prime Minister to the EEC Commission, said that the planned measures on capital account would be aimed particularly at facilitating the flotation of bonds by foreign official and private issuers.

He did not say exactly what form they would take or when they would come into effect.

He also emphasised strongly that the successful implementation of his Government's pledges in Bonn to try to reduce its current account surplus would depend critically on the ability of other industrialised countries to contain their inflation rates and on future currency movements.

If inflation rates on Japan's main export markets were stabilised or declined, its trade surplus problem could be solved "virtually overnight." But failure to check inflation would mean that Japan's efforts would have no effect.

Japan's trade surplus with the U.S. roughly doubled in the first six months this year. The surplus with the EEC was stable and that with the UK declined. Page 6

Japan committed itself in Bonn to keep export volume in fiscal 1978 at the same level as in fiscal 1977, to embark on an emergency programme of oil, aircraft and enriched uranium imports to double its official development aid in dollar terms over three years, and to achieve a 7 per cent real income growth rate this year.

Mr. Fukuda said that he expected to have to take many of the most important decisions needed to achieve these goals during the next two months.

In particular, he would be studying economic trends at home and abroad closely during this period, to see whether his Government should apply any further stimulus to its economy.

The Japanese Prime Minister stressed his personal desire to improve relations between his country and Europe

Anglo-U.S. bid to limit currency statement

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. JAMES CALLAGHAN, the Prime Minister, allied the UK with the U.S. in a successful bid to limit the extent and firmness of references to the EEC's currency stabilisation proposals in the final communique of the Bonn economic summit.

This move was intended to prevent a public strengthening of the position of France and Germany whose currency plan was picked out for further study at the Bremen meeting of EEC heads of government earlier this month.

Both the UK and U.S. have marked reservations about this plan and there is believed to have been some annoyance about their manoeuvring over the communique among other EEC participants at the Bonn summit.

In the event, the communique, published on Monday evening, merely noted the existence of the proposals and the promise by the EEC to keep other participants informed.

The next stage will become clear at a meeting of EEC Finance Ministers next Monday when the UK is likely to try to establish the guidelines for the detailed study.

The British view remains that while currency stability is a desirable goal, the Bremen proposals are only one among a *range of possible solutions.*

The full extent of the British manoeuvrings on the communiqué only became known yesterday as most of the seven heads of government dispersed from Bonn to implement the pledges made.

There was little response in the foreign exchange markets yesterday to the results of the summit since the various pledges are for the long term with little immediate impact.

The dollar slipped slightly against the Japanese Yen, following the announcement of a large Japanese trade surplus in June, but closed near Monday night's levels against most other currencies.

In London, Mr. Callaghan reported on the summit in a statement to the House of Commons after making no new commitments on behalf of the UK.

He said that 'practical benefits' would arise from the summit because of the specific pledges made by individual countries.

He also claimed that probably the biggest benefit of previous summits had been that none of the participating countries had now gone any further down the road to protectionism.

On Bonn, Mr. Callaghan said the leaders had gone on record much more fully and accurately than in previous summits on what they were ready to do and when, during particular months.

They had gone on the record much more than at Downing Street (in May 1977) because everybody realised the situation was "that much more serious now."

The official view in London last night was of broad satisfaction with the results and a continuing note of self-congratulation that the communiqué had followed the outlines of the five point programme on growth, energy, trade, currencies and relations with the developing countries put forward in the spring by the Prime Minister.

● Adrian Dicks writes from Bonn: Herr Helmut Schmidt, West German Chancellor, perhaps anticipated some of the more sceptical business verdicts on the Bonn package when he publicly remarked that he would have liked to see more achieved on the trade front, though the commitment to close the Tokyo round talks by December was an important step.

Immediate interest here will now shift to the West German Cabinet's three-day debate on fiscal measures next week, for which several alternative "models" are being prepared by senior officials.

One of these will presumably give final form to Bonn's own pledge to provide fresh stimulus of up to 1 per cent of Gross National Product.

Other reactions Page 2
Parliament Page 10

Insurance company buys farms for £5.5m

By Christopher Parkes

TWO LINCOLNSHIRE farms covering 3,543 acres of prime arable land were sold yesterday for £5.5m in one of this year's biggest and most significant land transactions.

The buyer, Equity and Law Life Assurance Society, paid more than £400 an acre above the current average price for agricultural land in England. It will farm the land through its subsidiary company, Equity and Law (Farm Management).

The acquisitions increase to 8,500 acres the good quality arable land the company controls.

On expansion plans, the company said: "We have now met the targets we set ourselves for our farming portfolio for the time being."

It commented: "The purchase represents a continuation of our policy to move out of tenanted farms into direct farming."

Tenanted land

The land was bought from UK Provident, which says it is more interested in tenanted land than in farms with vacant possession. When the sale by tender was announced by Savills, the agents, last month, UK Provident said it wanted to take advantage of high prices for vacant possession land.

It was prepared to invest earnings from the sale in more tenanted land and had arranged to take over other farms.

The deal is certain to interest Lord Northfield's committee, set up at the request of Mr. John Silkin, Minister of Agriculture, Fisheries and Food, last year, to examine the changes in Britain's pattern of farm ownership.

About a fifth of farms changing hands each year are bought by institutional investors, estimates show.

City institutions, overseas bidders and other heavily backed buyers are said to have forced up land prices, making it too expensive for ordinary farmers to expand their businesses.

Most of the land in yesterday's sale is in the Isle of Axholme and is ranked grade two on the ministry's scale of quality.

Much of the soil is black peat, well suited to growing carrots, sugar beet and other valuable crops.

Until recently the farms involved were tenanted by Mr. Frank Arden, reputed to have more than 20,000 acres of land in hand, and who is certainly one of England's biggest private farmers.

Average farmland prices in England, now £1,160 an acre, are 15 per cent more than at the end of last year and 42 per cent higher than 12 months ago.

Land survey Page 33

Discounts boost airlines' profits

BY JOHN WYLES

NEW YORK, July 18.

THE IMPACT of widely available cheap air fares in the U.S. has helped two of the country's leading carriers, United Airlines and Trans World Airlines, to achieve spectacular profit increases in the last three months.

Both airlines attribute some of their earnings gains to improved efficiency, tighter control of costs and extremely buoyant consumer spending but they acknowledge that discount fares have triggered a considerable increase in traffic.

In the quarte rended June 30, United Airlines enjoyed a 24.5 per cent increase in scheduled traffic, some of which can be attributed to a strike which has halted a major competitor, Northwest Airlines.

Net profits during the quarter were $91.8m—more than those in the second quarter last year. Revenues were up 18 per cent to $840.1m.

The profits figures have been inflated, to some extent, by investment tax credits but the magnitude of the increase remains the same if the credits are deduced.

United's parent company, UAL Inc. whose interests also include hotels and insurance, more than tripled its second quarter profits $30.3m' to $97.9m.

The airline operations of TWA, for years one of the country's financially weaker airlines, turned in record second quarter pre-tax profits of $37.1m.

TWA has been directly involved in the North Atlantic price cutting war but, during the first half of this year, increased its traffic on these routes by ¼ per cent.

Second quarter revenues rose 9.9 per cent to $650.3m but the airline's earnings were 97.6 per cent above last year's second quarter.

TWA also has hotel and catering interests and the parent company as a whole posted a second quarter profits rise of 71 per cent to $48.3m.

The two results augur well for the entire U.S. airline industry and will strengthen the impetus behind the Civil Aeronautics Board's encourage*ment of cheap fares.*

Off-peak electricity tariff to be reduced

BY JOHN LLOYD

THE ELECTRICITY industry is to make its first national tariff reduction outside Scotland since it was nationalised in 1947. On October 1 off-peak electricity charges are to be cut by 20 per cent.

Sir Francis Tombs, chairman of the Electricity Council, said yesterday that the new household tariff, to be called "Economy 7" because it covers seven night hours, would result in reductions of around 10 per cent in the winter quarter bills of those homes using off-peak central heating.

At the same time, Sir Francis was careful to link the announcement of the price cut to the nuclear power station programme, stressing its importance in the future.

Night rates were cut in November, 1974, but the cut followed closely a sharp Government-inspired rise—by around 0.3p per unit—in August of that year. The reduction came after a public outcry to bring night rates back down again to their customary level of half of day rates and the changes are regarded by the industry as a tariff "hiccup."

The present reduction is a genuine cut, in that night rates fall well below half of day rates.

Around 2m people have night storage heaters which use off-peak electricity, but only 1m of these will benefit immediately from the reduction. This is because only half of the storage heaters now in use are of the modern variety which "store" electricity over a seven-hour period.

Sir Francis said that the price cut had been made possible because of the improvement in the operation of the larger and more efficient power stations.

"As we gain more experience with them, ways are being found of making them more flexible to meet the night loads. This is why it was possible some 18 months ago to keep basic off-peak tariff rates unchanged and even to reduce some at a time when increases in other basic rates were unfortunately necessary."

The new tariff would offer a uniform night rate throughout England and Wales, which would be just over 1p per kilowatt hour.

"One has to be very cautious in these uncertain days in making any predictions about future prices, but the underlying reasons which have made this move possible give a good assurance that the attractiveness of the new night rate should remain for a considerable time to come," he said.

Sir Francis took care to underline the importance of the nuclear contribution to future improvements in power station efficiency, a point which was underscored in a statement on the price cuts from Mr. Cyril Wickstead, chairman of the Eastern Electricity Board.

Both welcomed the "increasing contribution" which would be made to the system as more nuclear power stations are commissioned.

Nuclear stations provide around 13 per cent of present electricity requirements, all of it on base load. The proportion rises to around 30 per cent at night. The general proportion will rise to around 20 per cent when the next generation of advanced gas-cooled reactor (AGR) stations come on stream in the early 1980s.

The implicit linking of nuclear stations to a more efficient and relatively cheaper electricity supply comes at a time when there is fierce debate between the electricity industry on one side and the Government and the National Coal Board on the other over future coal consumption in UK power stations.

The Electricity Board has made it clear that it wishes to increase its nuclear capacity at the expense of coal, while both Mr. Anthony Wedgwood-Benn, the Energy Secretary and Sir Derek Ezra, chairman of the NCB, are pressing for ways to increase the coal burn.

The Electricity Board yesterday pointed out that the unit costs of generating electricity from a nuclear station were around half of those of coal-fired stations.

Reardon Smith Line loans to be deferred

BY LYNTON McLAIN, INDUSTRIAL STAFF

LOANS OF £30m outstanding to the Reardon Smith Line are to be deferred under a moratorium agreed yesterday between the Government, National Westminster Bank and the Danish Ship Finance organisation.

Although several shipping companies have had their loans for ship purchases deferred, with backing from the Department of Industry, this is the first time that the Government has named a company.

The Government announced a plan in May for extending debt repayment periods by three years.

It was agreed that the Department of Industry would guarantee loans made by the banks involved, but the scheme, as announced, applied only to companies owning small tramp ships.

It was thought at the time that these were in more urgent need of assistance.

But last month some of Britain's biggest shipowners called for the Government to extend the scheme to cover owners with debts in foreign shipyards.

Ellerman Lines had talked with its bankers about a moratorium, but felt that a Government guarantee on rescheduled debts was essential.

More than one third of Reardon Smith Line's £30m of loans outstanding was for the purchase of a bulk cargo vessel, the Eastern City, which was delivered from Danish shipbuilders in July 1976. Finance was provided by the Danish Ship Finance Organisation.

One condition of the moratorium is that Reardon Smith will pay only a token dividend during the period of the deferment. The company has also undertaken to adjust the security arrangements for the loans, but no details of this were given last night.

The balance of £19m was provided by National Westminster and the Department of Industry under its home shipyard mortgage scheme.

The announcement yesterday by Hambros Bank, which has acted as financial advisors to Reardon Smith Line, said that agreement had been reached in principle, subject to contract, to a deferment of repayments of principal with the three lenders of all loans secured on the company's fleet.

All instalments of principal due on on before November 24, 1979, would be deferred.

They would now fall due on the date of the final instalment of the individual loan under its existing repayment schedule or on November 24 next year, whichever is the later.

Interest would be paid on all loans in the normal way.

Further capital commitments will also be restricted by the company.

Continued from Page 1

Jobless

greater than last year, at 680,000, it looks as if the leavers are finding jobs more easily than in the summer of 1977.

The figures have also been affected by a run-down in some of the Government's job creation and preservation measures at a time when new schemes are still building up.

In July 5,000 fewer people were being helped by schemes than the previous month's 310,000, and officials believe that the number being kept off the registers was only 210,000, compared with 225,000 in June.

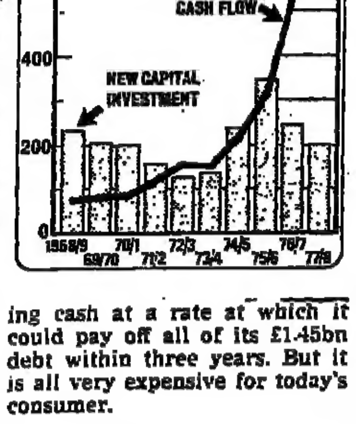
Both the job creation programme and the youth employment subsidies are currently being run down, and resources are being transferred to the youth opportunities programme, the job release scheme and the small companies employment schemes. By next March, Government job measures are expected to be keeping 300,000 off the registers.

The unadjusted unemployment total in the U.K., including school-leavers, increased in the month to mid-July by 139,750 to 1.59m, from 6.1 to 6.6 per cent of the workforce. The total for Britain rose 131,084 to 1.51m, from 5.9 to 6.5 per cent.

THE LEX COLUMN

Cash flow bonanza for British Gas

Index fell 6.9 to 472.4



For the second year running British Gas Corporation has presented its statutory accounts using a mixture of historic cost the current cost accounting principles. The result is that pre-tax profits, which would have come out at £564m (£362m) on the accounting convention followed by most companies, are reproted at the far less embarrassing level of only £180m. Nevertheless this is some six times the figure for 1976-77.

The difference between the two profit figures largely represents extra depreciation, which British Gas considers it necessary to provide in order to preserve its operating capability — though there is no revaluation in the balance sheet. And that is the end of the matter as far as the Gas Board is concerned. Its considered view is that the supplementary depreciation is required in full "to maintain the business on a healthy financial basis." Applying a gearing adjustment would clearly not be compatible with that objective, it declares.

But this is only half an argument. When British Gas borrows money, whether it be from the Government or elsewhere, it gains during a period of inflation from the declining real burden of servicing this debt. Hence it would have been appropriate for British Gas to reducei ts extra depreciation charges by the extent to which these are financed by external debt capital, in accordance with the Hyde Guidelines.

If British Gas wishes to concentrate on entity trading profits—on the lines of the national income accounts—this might make sense given its odd capital structure. But the concept of pre-tax profits has no place here, for the significant profits figure should be arrived at before all financing costs, including interest.

British Gas is further applying its mixed-up reasoning by setting itself a provisional financial objective of earning 4 per cent return on sales, net of current cost depreciation and *interest costs. In this way it* plans to double its retained reserves (from £313m) over the next three years to a level where they will represent 20 per cent of net assets. What these reserves are required for is not at all clear. No doubt the Corporation is happy to be generating cash at a rate at which it could pay off all of its £1.45bn debt within three years. But it is all very expensive for today's consumer.

Imperial/Eastwood

Imperial Group has decided to have a try for J. B. Eastwood. Although such a bid has been on the cards for many years it has never been certain that Sir John Eastwood would be a genuine seller, and moreover any merger has always seemed likely to lead traight to the Monopolies Commission — for the group's combined share of the broiler chicken market is a little over a third. But the agreement to terms of 132p cash from the U.S. group Cargill meant that Eastwood was indeed up for sale—at a price which Imps has now topped by 28p per share. That still leaves the problem of the Commission, but Imps has evidently decided it is not going to see Eastwood disappear out of reach without putting up a fight.

To begin with, Imperial is arguing grandly that the merger will be of "major benefit to the UK economy" and its short statement yesterday managed to cram in three allusions to exports. If this initial tactic fails and the bid gets referred to the Monopolies Commission, *however, Imps could still have* something to gain so long as the Cargill offer gets referred too. Even if eventually Imps is blocked and Cargill cleared the British group will have kept a powerful U.S. competitor out for a few more months.

A minor complication is that a 35 per cent Eastwood [illegible] block is irrevocably commi[illegible] to Cargill—but that com[illegible] ment can hardly count for m[illegible] in practice unless Ca[illegible] matches Imps' offer. A[illegible] the price of £38m being pa[illegible] Eastwood, the exit p/e [illegible] notionally fully taxed 197[illegible] profits works out at a fa[illegible] 16.6, but only 4.4 on the ba[illegible] of ED 19 earnings for 1978 a much better year. Take y[illegible] pick.

Traded options

Volume in the London tra[illegible] options market jumped up [illegible] 1,249 contracts yesterday — new record by a wide marg[illegible] Part of the explanation is t[illegible] traders were adjusting th[illegible] books ahead of the expiry to[illegible] of the July series. But this not all the story, for the J[illegible] series only accounted for quarter of yesterday's volum[illegible] The main feature of the day w[illegible] the appearance of a very la[illegible] covered writer in Land Secu[illegible] ties: there were no less th[illegible] 360 contracts in the October [illegible] series.

The verdict on the mark[illegible] after its first three mont[illegible] trading: efficient, and dull. T[illegible] market is dominated by prof[illegible] sionals working from more [illegible] less the same theoreti[illegible] models, and there have be[illegible] few profitable anomalies to e[illegible] ploit. Yet its supporters arg[illegible] that London needed a qui[illegible] start given its limited faciliti[illegible] The market is now ready to a[illegible] further stocks to the deali[illegible] list, and is certainly a great de[illegible] nearer the break-even poi[illegible] than Amsterdam.

Meanwhile there is no evi[illegible] ence so far of the tail wagg[illegible] the dog. Taken as a who[illegible] The prices of the underlyi[illegible] securities do not seem to ha[illegible] been affected much by t[illegible] approach of today's expiry dat[illegible]

Shipping dividends

If they did not realise [illegible] before, shareholders in shippi[illegible] companies are going to have t[illegible] forfeit their dividends if th[illegible] banks and the UK Governmen[illegible] are going to bail them out. Yes[illegible] terday, Reardon Smi[illegible] announced that it had reache[illegible] an agreement in principle t[illegible] rescheduling. In return it ha[illegible] agreed to pay only a token divi[illegible] dend up to November 1979.

Weather

UK TODAY

SUNNY spells. Light rain in places.

London, S.E., Cent. S. England, Anglia, Midland:
Mainly dry, sunny spells. Max. 20C (68F).

E., N.E. and Cent. N. England
Cloudy, light rain. Max. 17C (63F).

Channel Is., S.W. England, S. Wales
Drizzle, sunny spells. Max 18C (64F).

N. Wales, N.W. England, Lakes, I. of Man
Cloudy, light rain. Max. 17C (63F).

Borders, Edinburgh, Dundee, Aberdeen, S.W. Scotland, Glasgow, Cent. Highlands, Argyll, N. Ireland.
Rain, brighter later. Max. 16C (61F).

Moray Firth, N.E. and N.W. Scotland, Orkney, Shetland
Rain, brighter later. Max. 13-14C (55-57F).

Outlook: Cooler, showers.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amsterdm.	F	19	66	Luxembrg.	C	17	63
Athens	S	33	91	Madrid	S	31	88
Bahrain	S	41	106	Manchstr.	C	17	63
Barcelona	C	16	61	Melbourne	C	10	50
Beirut	S	29	84	Milan	C	24	75
Belfast	Sh	15	59	Montreal	S	25	77
Belgrade	S	31	88	Moscow	R	13	55
Berlin	F	19	66	Munich	F	21	70
Birmghm.	C	16	61	Newcastle	C	15	59
Bristol	C	17	63	New Delhi	C	27	81
Brussels	F	20	68	New York	S	25	77
Budapest	C	25	77	Oslo	Sh	17	63
B. Aires	S	14	57	Paris	C	17	63
Cairo	S	35	95	Perth	R	16	61
Cardiff	C	17	63	Reykjavik	C	12	54
Chicago	S	25	77	Rio de J'o	C	26	79
Cologne	C	16	61	Rome	S	25	77
Copnhagen	F	16	61	Singapore	S	31	88
Dublin	Sh	17	63	Stockholm	F	17	63
Edinburgh		18	64	Strasbrg.	S	23	73
Frankfurt	C	18	64	Sydney	S	17	63
Geneva	C	22	72	Tehran	S	34	93
Glasgow	F	17	63	Tel Aviv	S	29	84
Helsinki	C	15	59	Tokyo	C	31	88
H. Kong	S	31	88	Toronto	S	26	79
Jo'burg	S	18	64	Vienna	C	22	72
Lisbon	S	25	77	Warsaw	F	19	66
London	C	20	68	Zurich	C	20	68

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	29	84	Las Plms.	C	26	79
Algiers	S	39	102	Locarno	C	21	70
Biarritz	F	21	70	Luxor	S	43	109
Blackpool	C	15	59	Majorca	S	32	90
Bordeaux	F	20	68	Malaga	S	41	106
Boulogne	C	17	63	Malta	S	31	88
Casablca.	S	27	81	Nairobi	S	20	68
Cape Tn.	S	15	59	Naples	S	[illegible]	[illegible]
Corfu	S	31	88	Nice	C	25	77
Dubrovnik	S	28	82	Nicosia	S	30	86
Florence	S	29	84	Oporto	F	21	70
Funchal	S	25	77	Rhodes	S	29	84
Gibraltar	S	32	90	Salzburg	C	25	77
Guernsey	F	16	61	Tangier	S	26	79
Innsbruck	C	24	75	Tenerife	F	32	90
Inverness	C	15	59	Tunis	S	32	90
Is. of Man	C	16	61	Valencia	S	27	81
Istanbul	S	28	82	Venice	S	27	81
Jersey	C	15	59				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Sh—Showers.

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